

CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION
OCTOBER 2004

CDIAC 04-4



# CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

915 Capitol Mall, Room 400

Sacramento, CA 95814

P.O. Box 942809

Sacramento, CA 94209-0001

(916) 653-3269



CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

OCTOBER 2004

TOOLS TO REVITALIZE CALIFORNIA COMMUNITIES

# MEMBERS

Phil Angelides, State Treasurer and Chair

Arnold Schwarzenegger, Governor

Steve Westly, State Controller

Mike Machado, State Senator

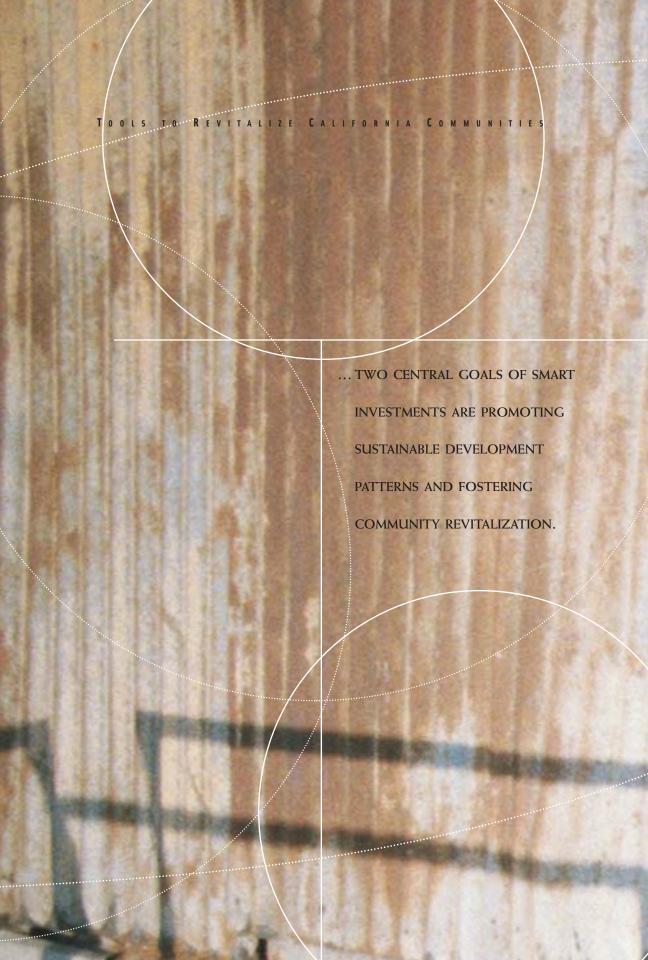
Charles Poochigian, State Senator

Judy Chu, State Assembly Member

Donna Linton, Assistant County Administrator, Alameda County

# TABLE OF CONTENTS

Preface	iii
Role of CDIAC in State and Local Debt Financing	1
Overview of Community Revitalization Financing	5
Types of Community Revitalization Financing	7
Select Community Revitalization Programs in California	9
A. Program Matrix	9
B. Real Estate Development	13
C. Education	37
D. Health	43
E. Business Development	
F. Infrastructure	69
G. Pollution Control	
H. Other	85
Appendix	
Contact Information for State Community Revitalization Programs	87

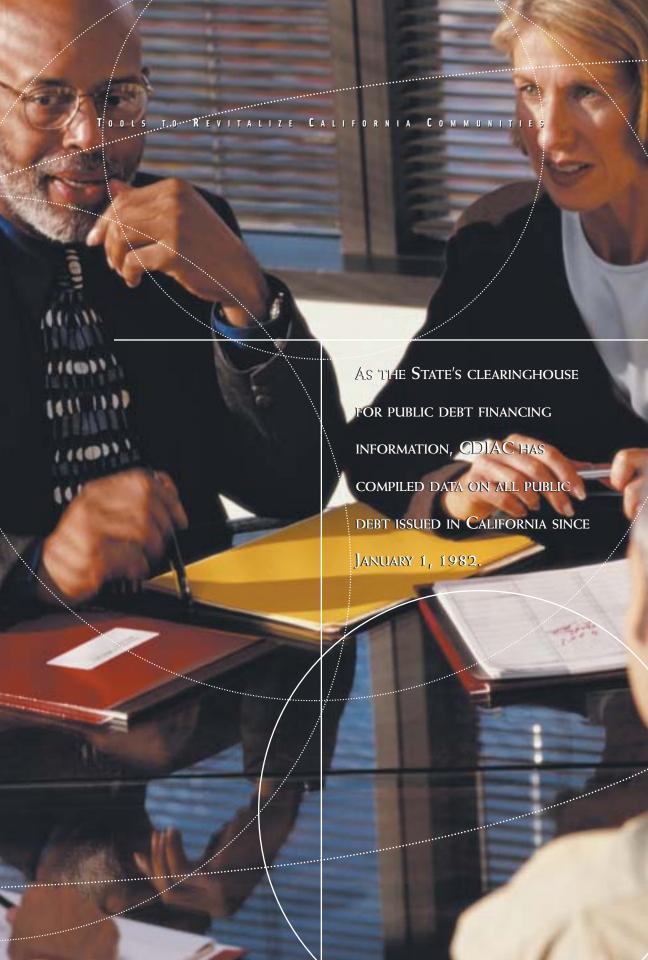




The June 1999 report entitled *Smart Investments* cites the growing gap between "the two Californias." *Smart Investments* notes that the growing gap is increasingly reflected in how and where we live—with the economic and social distance ever growing between our older cities, inner—ring suburbs, and rural communities, on the one hand, and wealthy urban enclaves and thriving suburbs, on the other.

Smart Investments further recognizes that two central goals of smart investments are promoting sustainable development patterns and fostering community revitalization. These two goals are fundamentally linked. Public investment policy plays a central part in achieving these goals. This

reference guide provides an overview of community revitalization financing, looks at the types of public investment tools available for community revitalization, and gives basic information on selected public investment programs available in California. To better enable the reader to relate to the available uses of these funds, real-life success stories are provided whenever possible. Lastly, this guide gives contact information to obtain further details on these programs.



# ROLE OF CDIAC IN STATE AND LOCAL DEBT FINANCING

The California Debt and Investment Advisory Commission (CDIAC) provides information, education, and technical assistance on public debt, investments, and economic development financing to local public agencies and other public finance professionals. CDIAC was created in 1981 with the passage of Chapter 1088, Statutes of 1981 (AB 1192, Costa). This legislation established the California Debt Advisory Commission as the State's clearinghouse for public debt issuance information and required it to assist state and local agencies with the monitoring, issuance, and management of public debt. CDIAC's name was changed to the California Debt and Investment Advisory Commission with the passage of Chapter 833, Statutes of 1996 (AB 1197, Takasugi) and its mission was expanded to cover public investments.

CDIAC engages in a wide range of activities in three general program areas: data collection, policy research, and technical assistance.

# DATA COLLECTION

As the State's clearinghouse for public debt financing information, CDIAC has compiled

data on all public debt issued in California since January 1, 1982. All issuers of state and local government debt are required to submit information on a proposed bond sale to CDIAC 30 days prior to the sale date. Issuers also must submit a report of final sale no later than 45 days after the sale with a copy of the final official statement. The data reported to CDIAC include the sale date, name of the issuer, the type of sale, the principal amount, the type of debt instrument, the source or sources of repayment, the purpose of the financing, the rating of the issuer, the members of the financing team, and issuance costs and fees. Depending on market conditions, 2,500 to 4,000 reports are received each year. Data from these reports is the basis for statistical information used for debt issue analysis, research projects, and education.

# POLICY RESEARCH

CDIAC's mandated duties include some that are intended to improve the market for, and indeed the marketability of, public debt issued in California. Such functions include efforts to maintain contact with partici-

pants in the municipal debt industry, to undertake or commission studies of various aspects of the market in order to provide guidance to state and local debt issuers, and to recommend legislative changes in matters affecting public debt issuers. To fulfill these functions, CDIAC's Policy Research Unit draws on information from CDIAC's debt issuance database, public and private experts throughout the municipal industry, public and private finance groups, periodicals and journals, and other existing resources. With the assistance of the Executive Director, CDIAC determines the issues that are addressed by the Policy Research Unit. Research staff remain knowledgeable of developments and

events in the municipal and other financial markets in

order to provide the
Executive Director and
the Commission with
input and advice on
making such determinations. Since 1996, CDIAC

also has been charged with providing education and assistance to local government officials on public investments. This mandate has led to publication of several reports and to new statutory requirements (effective January 1, 2001) for cities and counties to provide copies of

certain local investment reports to CDIAC twice annually.

CDIAC selects projects that are of current interest and have practical relevance to public finance practitioners. These projects are typically designed to: (1) keep issuers/investors apprised of emerging trends in public finance; (2) develop ways of reducing issuance costs; (3) provide financing options for local issuers; (4) raise the issuers'/investors' sophistication levels with regard to debt issuance and public investments, respectively; and (5) preserve the integrity and viability of the public finance market by alerting policy makers to potential problem areas.

# TECHNICAL ASSISTANCE

CDIAC's technical assistance program has three components. The first component is the publication of reference materials, issue briefs, statistical reports, technical guidelines for state and local issuers, and other research findings and briefs often in coordination with CDIAC's Policy Research Unit. One of its most notable publications is the *California Debt Issuance Primer*, which contains information on the types of debt instruments available and the roles and responsibilities of municipal debt issuers and private industry professionals. The

*Primer* provides a comprehensive overview of and reference document for the debt issuance process in California.

The second component is CDIAC's seminar program. Since 1984, CDIAC has organized educational seminars focusing on public finance matters and the debt issuance process. Offered throughout the uear at various locations in the State, CDIAC seminars are designed to: (1) introduce public officials who are new to the field of public finance to the debt issuance and investment processes; (2) strengthen the expertise of public officials who are familiar with the municipal debt issuance process and the investment of public funds; and, (3) inform public officials about current topics that may affect public finance, public debt issuance, and the investment of public funds. The majority of officials who participate are from local agencies, while the remainder represents state and federal agencies.

In 2000, CDIAC began a new series of educational courses on the tools for community revitalization. CDIAC has co-hosted seminars and panels designed to provide local government officials with tools that would assist them with community revitalization. Tools presented include loans, grants, and programs offered for specific purposes

including school facilities, affordable housing, industrial development facilities, health facilities, pollution control facilities, brownfield remediation and redevelopment, community planning, and small business financing.

In addition to the educational seminars, CDIAC has acted as co-sponsor of public finance-related conferences, symposia, and seminars conducted by private companies and statewide associations. Such co-sponsorships allow CDIAC to contribute its expertise to the event, increase contacts with experts from public and private sectors, and keep abreast of current matters affecting public finance and the debt issuance process.

The third component of CDIAC's technical assistance program involves responding to inquiries concerning California debt issuance. CDIAC receives daily contacts from representatives of public and private entities and the media for data on debt issuance and information on the nature and application of specific debt instruments. CDIAC staff responds to over 2,000 such requests for information or assistance each year.

# TOOLS TO REVITALIZE CALIFORNIA COMMUNITIES

# POINT OF CONTACT

# Lisa Marie Harris, Executive Director

CDIAC

Phone Number: (916) 653-3269 Web site: www.treasurer.ca.gov/cdiac E-mail Address: lharris@treasurer.ca.gov Street Address: 915 Capitol Mall, Room 400

Sacramento, CA 95814

# OVERVIEW OF COMMUNITY REVITALIZATION FINANCING

# WHAT IS ECONOMIC DEVELOPMENT?

According to the National Council for Urban Economic Development, economic development is "a process that influences the growth and restructuring of an economy to enhance the well-being of a community."

A thriving local economy is the foundation for improving the quality of life in a community. Quality of life can be interpreted to include the ability to offer community residents the opportunities for jobs and good government services including quality schools, security, and infrastructure, as well as providing for the welfare of those unable to care for themselves.

# WHAT IS COMMUNITY REVITALIZATION?

Over the past 30 years, disinvestment in urban neighborhoods has accelerated the decline of these underserved communities, leading to deterioration, diminished tax bases, increased crime, and deteriorating infrastructure. Community revitalization is neighborhood-specific economic development activity involving the residents, businesses, local government, community organizations, banks, and institutions, along with support from federal, state, private, and non-profit resources. All of

these players are involved in the strategies and activities that help revitalize a community. Community revitalization prevents the spread of blight and urban sprawl and makes a community more attractive, thereby increasing land and property values, which will attract private investors and new business.

# GOALS OF COMMUNITY REVITALIZATION

The goal of a community revitalization program is to transform distressed or deteriorating communities into vibrant and economically diverse communities. Specifically, communities need attention to the following sectors of their economies to facilitate this transformation:

- · Providing affordable housing,
- Increasing educational opportunities,
- Improving access to health care,
- Retaining and expanding business opportunities,
- Improving infrastructure, and
- Fostering environmental cleanup of contaminated sites.

All of these sectors are fundamentally linked and are vital to a vibrant local economy. Community revitalization initiatives can foster the development of these

sectors and increase investment of private capital in these communities.

# PLAYERS IN COMMUNITY REVITALIZATION

The major players in community revitalization include public and private sector entities and public-private partnerships. Public sector entities include local, state, and federal government agencies. Private sector entities include non-profit organizations, such as churches, neighborhood groups, and community development corporations. Other private sector entities that are major players in community development include utilities, universities, chambers of commerce, developers, and businesses located in areas undergoing revitalization efforts. Lastly, public/private partnerships can be used to leverage multiple sources of funding, thus resulting in more revitalization efforts than would have been available utilizing either public or private funds alone.

# ROLE OF THE STATE IN PROVIDING COMMUNITY REVITALIZATION FINANCING

Traditionally, California's state funded economic development efforts were primarily focused on the development and maintenance of infrastructure sustems, workforce training and skill improvement programs, export promotion and assistance, and technology deployment and commercialization. Recent initiatives have expanded this focus to include technology development and technical assistance for businesses. In addition, state agencies now provide grants, loans, loan guarantees, equity financing, and tax credits to municipalities and companies for community revitalization and business development or expansion.

# Types of Community Revitalization Financing

Community revitalization programs can be grouped by the type of financing they provide, in addition to the sectors they seek to transform. Common types of financing include debt financing (such as through loans and conduit bonds), equity financing, loan guarantees, grants, and tax credits. Advisory services also are available to provide communities with greater access to these types of financing.

# **DEBT FINANCING**

Debt financing occurs through the lending of funds. This can be done either through direct lending or through the selling of conduit bonds.

# · Loan Financing

Direct lending allows a business to borrow money to fund a project or make a purchase, such as for business development or capital improvements. Under this type of financing, the lender requires that the borrower provide a pledge of its revenues or other collateral to ensure repayment.

# · Conduit Bond Financing

In a traditional bond financing, an issuer borrows money from investors and agrees, by written contract, to repay the amount borrowed plus an agreed upon rate of interest at a specified date (the

maturity date). The amount borrowed is called the principal. The interest on the bonds is simply referred to as the interest. Principal and interest together are known as debt service. In a conduit financing, the proceeds of the issue are loaned to a non-governmental borrower that then applies the proceeds for a project financing. Typically, the project is owned and operated by the borrower. Statutes authorizing conduit financings generally specify the nature of the projects that may be financed and limit such projects to those with specified public purposes. In a conduit financing, the bond's repayment is the responsibility of the business or developer that benefits from the financing, rather than the issuer, which collects the taxes, fees, or revenues and passes them on to the bondholders (or a trustee).

# **EQUITY FINANCING**

In equity financing, the investor takes an ownership interest in a fund or project in exchange for a rate of return that depends on the profitability of the fund or project. Typically, this return is adjusted commensurate with the fund or project's asset class and risks. In this type of arrangement, the investor owns part of the fund or project in proportion to its investment allocation.

#### LOAN GUARANTEES

A loan guarantee involves the assumption of responsibility for payment of a debt or performance of some obligation if the liable party fails to perform to expectations. In traditional governmental loan guarantee programs, the guaranteeing entity will guarantee a loan made by a lender, such as a conduit financing authority or a commercial bank. Generally, these loan guarantees will provide the assurance of repayment of a percentage of the loan. A fee for this guarantee is usually required by the guaranteeing entity.

# **G**RANTS

A grant is a sum of money awarded to finance a particular activity or facility.

Generally, these grant awards do not need to be paid back.

# TAX CREDITS

A tax credit is a dollar-for-dollar reduction in a taxpayer's federal and/or state income tax liability. Provided the credit can be used, one dollar of tax credit reduces the taxpayer's tax liability by an equivalent dollar, saving the taxpayer that dollar. This is different from a tax deduction, which is an offset to a taxpayer's pretax income. A

tax deduction reduces a taxpayer's income on which its tax liability is calculated. If the taxpayer's marginal tax rate is 35 percent, one dollar of tax deduction lowers the tax liability by 35 cents.

#### ADVISORY SERVICES

Advisory services can provide entrepreneurs and businesses with assistance that may improve access to the various forms of capital available and spur further investment, job creation, and assist in recovery of distressed neighborhoods and communities to strengthen economic recovery in California. Advisory services may provide individualized, targeted assistance; access to high-caliber advisors (i.e., CEOs); and assistance to develop needed skills and expertise.

# SELECT COMMUNITY REVITALIZATION PROGRAMS IN CALIFORNIA

# A. Program Matrix

The following matrix classifies select state community revitalization programs by type of financing and by subject area. Subject area classifications include: real estate development, education, health, business development, infrastructure, pollution control, and other types of programs. The "other" category is for programs that do not fit under the traditional community revitalization umbrella.

Type of financing (as described in the previous section) includes debt financing (such as loans and conduit bonds), equity financing, loan guarantees, grants, and tax credits. Advisory services are also provided by some state agencies.

The matrix is intended to assist individuals to identify potential sources of community revitalization funding. For instance, someone seeking funding for a local community health clinic would see that there exists

California Health Facilities Financing
Authority (CHFFA) loan and conduit bond
programs, as well as an Office of Statewide
Health Planning and Development (OSHPD)
Cal-Mortgage loan guarantee program.

Following the matrix are descriptions of the various programs, arranged according to subject area. Readers will find brief descriptions of the programs, the required fees, the assistance terms offered, and the eligible activities and applicants. Contact information for those interested in pursuing the programs for use in their communities also are provided. In some cases, the descriptions include success stories on the uses of these programs. The preferred sources of these success stories were firsthand accounts directly from the applicants. When this was not possible, second-hand accounts from issuers were used.

# TYPE OF FINANCING

# SUBJECT AREA

	JUDILLI ANLA									
	Real Estate Development	Education	Health	Business Development	Infrastructure	Pollution Control	Other			
	CPCFA California Recycle Underutilized Sites (Cal ReUSE) Loans (page 13)		CHFFA HELP II Loans (page 43) CHFFA	CPCFA California Capital Access Program (CalCAP)	I-Bank Infrastructure State Revolving Fund (ISRF)					
	HCD Multifamily Housing Program (MHP) Loans (page 24)		HealthCAP Loans (page 46)	for Small Businesses Loans (page 58)	Program Loans (page 70)					
	HCD CalHome Program Loans (page 25)									
	HCD Building Equity and Growth in Neighborhoods (BEGIN) Program Loans (page26)									
	HCD Joe Serna, Jr. Farmworker Housing Grant (JSJFWHG) (page 27)									
DEBT FINANCING-LOANS	HCD Current Emergency Housing Assistance Program (EHAP) Capital Development Deferred Loan Information (page 28)									
DEF	CalHFA California Home-Buyer's Downpayment Assistance Program (CHDAP) Loans (page 30)									
	CalHFA Homeownership in Revitalization Areas Program (HIRAP) Loans (page 31)									
	CalHFA Extra Credit Teacher Home Purchase Program (ECTP) Loans (page 32)									
	CalHFA Preservation Acquisition Program Loans (page 35)									
	CalHFA Mortgage Insurance Services Loans (page 36)									

# TYPE OF FINANCING

# SUBJECT AREA

	Real Estate Development	Education	Health	Business Development	Infrastructure	Pollution Control	Other
DEBT FINANCING—CONDUIT BONDS	CDLAC Tax- exempt Private Activity Bond Allocation (page 15)	CEFA Standard and Pooled Tax-exempt Bonds (page 37) CEFA Tax-exempt Equipment Notes (page 40) CSFA Tax-exempt Financing - Fixed or Variable Rate Options, Intercept Program Options, Stand-Alone or Pooled Option (page 40)	CHFFA Standard and Pooled Tax- exempt Bonds (page 47) CHFFA Tax- exempt Equipment Notes (page 51)	CIDFAC Tax- exempt Industrial Development Bonds (page 61)	CAEATFA Advanced Transportation and Renewable Energy Taxexempt and Taxable Bonds (page 69)  I-Bank Conduit Revenue Bonds - Industrial Development Bonds (IDBs), 501(c)(3) Revenue Bonds, Exempt Facilities (page 73)  CTC/Caltrans Grant Anticipation Revenue Vehicle (GARVEE) Financing (page 78)	CPCFA Pollution Control Tax- exempt Bonds (page 81)	
EQUITY FINANCING	CalPERS California Urban Real Estate (CURE) Investments (page 20) CalSTRS Urban Real Estate Investments (page 20) PMIA Community Reinvestment Act (CRA) Loan Purchases (page 21)			CalPERS The California Initiative (page 65)  CalSTRS Investments in Underserved Urban and Rural Markets, and New and Next Generation Managers (page 66)			PMIA Time Deposits (page 85)  PMIA Small Business Loan Purchases (page 85)
LOAN GUARANTEES			Cal-Mortgage California Health Facility Construction Loan Insurance (page 54)				

# TYPE OF FINANCING

# SUBJECT AREA

	Real Estate Development	Education	Health	Business Development	Infrastructure	Pollution Control	Other
GRANTS	HCD CalHome Program Grants (page 25)  HCD Building Equity and Growth in Neighborhoods (BEGIN) Program Grants (page 26)  HCD California Self-Help Housing Program (CSHHP) Grants (page 27)  HCD Joe Serna, Jr. Farmworker Housing Grant (JSJFWHG) Program (page 27)  HCD Workforce Housing Reward Program Grants (page 29)  CalHFA School Facility Fee Down Payment Assistance Program (SFF) Grants (page 34)	CSFA Charter School Facilities Program (page 41)	CHFFA Cedillo- Alarcón Community Clinic Investment Act of 2000 Grants (page 52)				
TAX CREDITS	CTCAC Federal and State Low-income Housing Tax Credits (page 22)			CTCAC Commercial Revitalization Deduction Program (page 57)			
ADVISORY SERVICES					CPCFA Small Business Advisory Assistance (SBAA) Services (page 60)		



# 1. California Pollution Control Financing Authority (CPCFA)

a. CALIFORNIA RECYCLE UNDERUTILIZED SITES (CAL REUSE)

Cal ReUSE assists borrowers with the reuse and redevelopment of underutilized properties with real or perceived contamination issues (brownfields). Cal ReUSE addresses a funding and information gap in the redevelopment of brownfields to help bring these properties into productive reuse.

# ASSISTANCE TERMS

- Fixed interest rate equal to the average earnings rate of the state's Surplus
   Money Investment Fund for the calendar year prior to the date the loan is made (the 2004 rate is 1.73 percent).
- Loan amount up to \$125,000.
- Borrower match up to 15 percent of loan amount.
- Loan term up to 36 months.
- Loan can be extended or totally forgiven in certain circumstances.

#### ELIGIBLE ACTIVITIES

- Reasonable and necessary brownfields project costs:
  - > Site assessment and characterization,
  - > Technical assistance,
  - > Planning for remediation of hazardous material, and

 Obtaining access to a privatelyheld property to conduct an assessment.

# **ELIGIBLE APPLICANTS**

 Nonprofit or for-profit developers, redevelopment agencies, cities, counties, and other entities that meet the requirements of California Health and Safety Code Section 44506.

# **FUNDS DISPERSEMENT**

 Funds are disbursed through Strategic Partners who also receive and process applications as well as provide technical assistance.

# **Statewide Strategic Partners**

- California Environmental Redevelopment Fund.
- California Center for Land Recycling.

# **Local Strategic Partners**

- City of Oakland.
- · City of Emeryville.
- City of San Diego, Centre City Development Corporation.
- These Strategic Partners may charge their own fees to applicants.

# POINT OF CONTACT

#### Sherri Kay Wahl, Program Manager

CPCFA - Cal ReUSE

Phone Number: (916) 654-5951 Web Site: www.treasurer.ca.gov/cpcfa

E-mail Address: calreuse@treasurer.ca.gov Street Address: 915 Capitol Mall, Room 457

Sacramento, CA 95814

TOOLS TO REVITALIZE CALIFORNIA COMMUNITIES

# **Success Story**

# INNOVATIVE FUNDING PROGRAM MOVES SITES FORWARD: BROWNFIELD STRATEGY CREATING DEVELOPMENT OPPORTUNITIES

Nestled on the waterfront at the foot of the San Francisco Bay Bridge, Emeryville is prime real estate. It is centrally located in the Bay Area, enjoys a temperate climate, and has a world-class view of the bay. One would expect that these features would spur rapid development of Emeryville's vacant properties, but that has not been the case. Numerous prime development opportunities have been clouded by the uncertainty surrounding the question of contamination.

In its early years, Emeryville was home to several chemical-intensive manufacturing companies. These companies are long gone, but their legacies remain in the form of soil and groundwater contamination and abandoned buildings. In all, over 20 percent of Emeryville's non-residential properties are vacant, and over 40 percent are underutilized. One such site was owned by a retiree who wanted to sell, but was having difficulty because the site was suspected of having chromium contamination. Compounding this, the owner had no experience managing contaminated sites and no funds to investigate the possible extent of chromium damage.

In 2003, a buyer, with plans to purchase and improve the site, received a 2.66 percent Cal ReUSE loan (current rate is 1.73

percent) for an environmental investigation. The loan was facilitated by the City of Emeryville, a Cal ReUSE "Strategic Partner." The investigation led to the purchase, improvement, and expansion of this light industrial site. In this case, Cal ReUSE minimized the buyer's risk and helped clarify the cost of development. This allowed the project to move forward and the loan to be repaid, turning one of Emeryville's blighted, vacant properties into productive land.

One of the greatest barriers to redevelopment of properties with real or perceived contamination (often called "brownfields") is the uncertainty regarding remediation costs. Lenders require an understanding of the extent of contamination and the cost of clean up. Securing financing for this initial stage of assessment, however, is very difficult, and the costs can be prohibitive.

Cal ReUSE provides the funds for these initial inquiries at a very low interest rate, with loans that can be forgiven if, after investigation, it's determined that the cost of clean up is too great. The program utilizes highly experienced Strategic Partners who administer the program statewide, or for their particular municipalities. With a primary goal to spur infill development, Cal ReUSE addresses a financial impediment in the redevelopment of brownfields, helping to turn uncertainty into opportunity.

# 2. California Debt Limit Allocation Committee (CDLAC)

a. TAX-EXEMPT PRIVATE ACTIVITY BOND ALLOCATION

CDLAC awards allocation of tax-exempt private activity bonds for projects and programs that fall under the federal bond volume cap for California. The bond volume cap is approximately \$3 billion annually.

CDLAC awards the right to issue tax-exempt bonds for private projects of public purpose to state and local jurisdictions. Bonds are issued by state and local entities and are purchased by the private sector. The bonds are secured by the project or program for which bonds are issued and are not an obligation of the state or local issuer.

The proceeds from the sale of bonds are used to finance projects that meet the public policy goals and criteria of CDLAC. CDLAC has a statutory emphasis on rental and homeownership housing for lower-income families and individuals. CDLAC also awards allocations to industrial development projects, pollution control projects, and student loan programs.

# **FEES**

- Initial filing fee in the amount of \$600 is submitted at the time of application.
- Second installment of filing fee equal to
   0.00035 percent of the allocation

amount (less \$600 initial fee) is due upon the use of the allocation or first mortgage credit certificate.

# **ELIGIBLE ACTIVITIES**

There are six main programs and several secondary programs that are available for allocation:

- Multifamily Rental Housing: State, local governmental agencies, and joint powers authorities can issue tax-exempt housing revenue bonds to assist developers of multifamily rental housing units acquire land and construct new projects or purchase and rehabilitate existing units.
  - The tax-exempt bonds lower the interest rate paid by developers. These developers produce affordable rental housing for low- and very low-income households by reducing rental rates to these individuals and families.
- Single-Family Housing: State, local governmental agencies, and joint powers authorities can issue tax-exempt mortgage revenue bonds (MRBs) to assist first-time home-buyers purchase homes. Homebuyers may purchase single-family homes, freestanding detached homes, condominiums, or townhouses. The tax-exempt proceeds back below market interest rate mortgages.

As an alternative to issuing MRBs, state, local governmental agencies, and joint powers authorities may issue mortgage credit certificates (MCCs). The value of the credit equals up to 20 percent of the interest payments made annually on the program participant's first mortgage. Homebuyers use the MCCs to reduce their federal tax liability by applying the credit to their net tax due. Program participants must meet program income limits and must purchase a home that falls within the program's purchase price limitations.

- Extra Credit Teacher Home Purchase
   Program: State, local governmental agencies, and joint powers authorities can issue tax-exempt MRBs or MCCs to assist teachers, principals, and other credentialed school staff who are employed in high-priority schools, purchase their homes.

   Participants must be willing to make a commitment to stay at the high-priority school for at least three years.
- Small-Issue Industrial Development
   Bonds: State, local governmental
   agencies, and joint powers authorities can issue industrial development
   bonds (IDBs) to assist manufacturing
   facilities finance capital expenditures.
   Today, most IDBs support expansions

- of existing manufacturing facilities. IDBs offer considerable interest rate savings to small and midsize manufacturers in contrast to conventional loans. When used by manufacturers, IDBs serve to retain and create new jobs within their communities.
- Exempt Facility: State, local governmental agencies, and joint powers authorities can issue exempt facility bonds to finance solid waste disposal, waste recycling facilities, as well as certain other facilities as allowed under federal requirements. The taxexempt bonds provide facility owners with low-cost financing in the form of below market interest rate loans. The interest rate savings enable the project owners to maintain lower customer rates or minimize customer rate increases, while at the same time assisting the communities they serve to meet their mandated requirements to protect and enhance the environment. Exempt facility projects also benefit the communities by creating new jobs.
- Student Loan Financing: Student Loan Program bonds are tax-exempt private activity bonds issued by authorized agencies for the purpose of either financing direct loans to

			ŀ	₹€	a	lE	S	tat	е
	•	٠	•	•	•	٠	٠	٠	٠
			De	ev	el	op	m	ner	٦t

college students and their parents or purchasing already-originated loans on the secondary market. When used for direct lending programs, tax-exempt bond allocation allows lenders to pass on interest rate savings to needy students via below market interest rate loans. Needy students are borrowers for whom the cost to attend college exceeds their ability to pay, as determined by their school's financial aid office. Currently, three agencies are authorized to issue tax-exempt bonds for student loan programs in California.

# **ELIGIBLE APPLICANTS**

 Any state or local governmental agency, joint powers authority, special district, nonprofit public benefit corporation that issues only student loan bonds, or other pubic agency that is empowered to issue debt may file an application.

 Private parties wishing to access the allocation must do so through one of the eligible applicants.

# POINT OF CONTACT

# Laurie Weir, Executive Director

CDLAC

Phone Number: (916) 653-3255
Web Site: www.treasurer.ca.gov/cdlac
E-mail Address: lweir@treasurer.ca.gov
Street Address: 915 Capitol Mall, Room 311

Sacramento, CA 95814

TOOLS TO REVITALIZE CALIFORNIA COMMUNITIES

# **Success Story**

# THE WILSHIRE/VERMONT STATION PROJECT

The Wilshire/Vermont Station is an urban infill mixed-use, transit oriented development that will transform the existing Los Angeles Metropolitan Transportation Authority (MTA) Red Line station into an

attractive urban village. The

community will include
449 residential units
with 20 percent set
aside for low-income
tenants earning no
more than 50 percent
of the area median

income and 35,000 square feet of commercial retail space.

The project is a public/private partnership between the MTA; the Community Redevelopment Agency, as local administrator; and the developer, Urban Partners, LLC. While primarily a residential project with retail uses at the lower levels, the project supports the major public feature of the site—the Metro station itself. A new entrance to the existing metro station portal will lead passengers to a new bus plaza, enhancing the transfer connection between bus and rail passengers.

CDLAC is the state agency responsible for approving the tax-exempt bond allocation that is the primary source of financing for the project.

Urban Partners, LLC's equity partner for this project is MacFarlane Partners, the leading minority-owned real estate investment management firm in the United States, with \$1 billion in investor equity and \$5 billion in completed properties and planned projects. MacFarlane Partners is investing in the project as part of its joint venture with the California Public Employees' Retirement System (CalPERS) to invest in urban-infill properties in California and other major metropolitan areas nationwide. CalPERS is the nation's largest public pension fund, with assets of \$157 billion.

The mixed use "village" of residential apartments over ground floor retail stores will be arranged in two connected sevenstory buildings around semi-private courtyards. Amenities to encourage a community environment include a heated swimming pool, fitness center, clubhouse, landscaping, and a large public courtyard. The urban nature of Wilshire Boulevard and Vermont Avenue will be respected by creating an

		ŀ	₹€	ea	ΙĿ	S	ta	te
		D	ev	el	op	om	ne	nt

"urban" street-front experience through glass store windows with multiple entries and varying displays, sidewalk dining, and signage.

The project is divided into two phases.

Phase I entails improving the existing

MTA subway portal facilities and Phase II
involves construction of the housing and

retail commercial space. The northern portion of the site will be made available to the Los Angeles Unified School District for construction of a middle school for grades six through eight.

The development is scheduled for completion in the Summer of 2006, with apartments and retail space available for lease that fall.

# 3. California Public Employees' Retirement System (CalPERS)

a. CALIFORNIA URBAN REAL ESTATE (CURE) INVESTMENTS

The CURE strategy is focused on addressing both the housing shortage as well as a lack of general development in urban infill locations throughout California. The program began in 1995 with the approval of California Urban Investment Partners (CUIP) to invest \$50 million in California urban retail centers in predominately minority trade areas.

#### ASSISTANCE TERMS

- As of December 31, 2001, the CURE
   Program includes 12 partners with a total of \$1.6 billion allocated for California urban infill investment.
- The equity structures and investment vehicles through which CURE projects invest include:
  - > Commingled funds,
  - > Direct equity mortgages,
  - > Equity joint ventures, and
  - > Convertible participating mortgages.

#### ELIGIBLE ACTIVITIES

- Residential, office, retail, entertainment, hotel, and mixed-use projects.
- Other projects that may not be defined specifically below, but that benefit certain economic groups or geographic

areas and meet the risk/return objective, also may be considered. Such projects include:

- > Low-income housing,
- > Multi-family low-income housing,
- Economic development or redevelopment, and
- > Urban infill and "smart growth" strategy.

# POINT OF CONTACT

# Julie Rost, Investment Officer

CalPFRS

Phone Number: (916) 326-3400 Web Site: www.calpers.ca.gov

E-mail Address: julie\_rost@calpers.ca.gov Street Address: Lincoln Plaza, 400 P Street

Sacramento, CA 95814

# 4. California State Teachers' Retirement System (CalSTRS)

a. URBAN REAL ESTATE INVESTMENTS

The Urban Real Estate Program is designed to invest in real property in underserved markets, primarily in California.

# ASSISTANCE TERMS

- As of December 31, 2001, this program had \$500 million to invest through partnerships and direct investments.
- The program intends to seek equity partners with experience in underserved markets and to provide capital to develop

real property and to achieve equity returns.

- The equity structures and investment vehicles through which the Urban Real Estate Program invests include:
  - > Direct equity mortgages,
  - > Equity joint ventures, and
  - > Convertible participating mortgages.

#### **ELIGIBLE ACTIVITIES**

- Residential, office, retail, entertainment, hotel, and mixed-use projects.
- Other projects that may not be specifically defined, but that benefit certain economic groups or geographic areas and meet the risk/return objective, also may be considered. Such projects include:
  - > Low-income housing,
  - > Multi-family low-income housing, and
  - > Urban infill and "smart growth" stratequ.

# **ELIGIBLE APPLICANTS**

 Private developers and real estate operators with an appropriate track record.

# POINT OF CONTACT

Mike DiRé, Director of Real Estate

CalSTRS

Phone Number: (916) 229-3722 Web Site: www.calstrs.ca.gov E-mail Address: mdire@calstrs.ca.gov

Street Address: 7667 Folsom Boulevard

Sacramento, CA 95816

# 5. Pooled Money Investment Account (PMIA)

a. COMMUNITY REINVESTMENT ACT (CRA) LOAN PURCHASES

The PMIA, which contains the short-term investment funds of the State and more than 2,500 local agencies, held over \$45 billion as of July 2002. A PMIA program was initiated in 1999 to purchase \$1 billion in CRA home loans made to low- and moderate-income Californians or in low- and moderate-income neighborhoods. The CRA is intended to encourage depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods, consistent with safe and sound banking operations.

The purchase of CRA loans provides original lenders with new capital to make additional loans to low-and moderate-income home-owners and to stabilize lower-income neighborhoods through home ownership. At the same time, the purchase provides the State with returns that are competitive with the overall PMIA yield. All mortgage obligations purchased are insured as to the timely payment of principal and interest by either the Federal National Mortgage Association (FNMA or "Fannie Mae") or the Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac").

To date, \$966 million in CRA loans have been purchased by the PMIA and \$667 million remain outstanding.

Local government investment pools may want to consider replicating a program of this type with their own short-term funds.

# POINT OF CONTACT

# Bill Dowell, Treasury Program Manager

Investment Division

Phone Number: (916) 653-3147 Web Site: www.treasurer.ca.gov

E-mail Address: bdowell@treasurer.ca.gov Street Address: 915 Capitol Mall, Room 106

Sacramento, CA 95814

# 6. California Tax Credit Allocation Committee (CTCAC)

a. FEDERAL AND STATE LOW-INCOME HOUSING TAX CREDITS

CTCAC administers two low-income housing tax credit programs—a federal and a state program. Both programs were authorized to encourage private investment in rental housing for low- and lower-income families and individuals. In 2003, CTCAC approved \$60 million in federal and \$79 million in state housing tax credit that will create or preserve 5,545 affordable apartments throughout the State. Additionally, CTCAC awarded an additional \$73 million in non-competitive, "four percent" credit to assist over 13,000 affordable apartments

financed with the proceeds of tax-exempt bonds. The annual federal ceiling is \$1.80 per state resident plus a pro rata share of unused credits from other states. This amount is indexed for inflation. The state tax credit ceiling is \$70 million annually (in addition to any unused or returned tax credits from previous years).

Congress authorized the federal program in 1986 to replace traditional housing tax incentives, such as accelerated depreciation. The tax credit program enables developers of affordable rental housing to raise project equity through the "sale" of tax benefits to investors. Fach state legislature designates the "housing credit agency" to administer this program. Since 1987, CTCAC administers this program in California. Recognizing the high cost of developing housing in California, the state legislature authorized a state low-income housing tax credit program in 1987. Authorized by Chapter 1138, Statutes of 1987 (AB 53, Klehs), the state credit is only available to a project which has previously received, or is concurrently receiving, an allocation of federal tax credits. The state program does not stand alone, but supplements the federal tax credit program.

#### **FEES**

 Non-refundable application filing fee of \$2,000. An additional \$1,000 filing fee is required for applicants reapplying in the

- same calendar year for an essentially similar project on the same project site.
- Every applicant who receives a reservation of credit, except for tax-exempt bond applicants, pays an allocation fee of four percent of the dollar amount of the first year's federal credit amount reserved. Tax-exempt bond applicants pay a reservation fee equal to one percent of the annual federal credit amount reserved.
- Compliance monitoring fee of \$410
   per unit to cover the costs associated
   with compliance monitoring throughout
   the extended-use period.

# ASSISTANCE TERMS

- Tax credit is taken over a ten-year period although the Internal Revenue Service requires that the project remain in compliance for a minimum of 15 years.
- Investors take the state tax credit over a four-uear period.

# **ELIGIBLE ACTIVITIES**

- Tax credits can be allocated to new construction projects or for the acquisition and rehabilitation of certain projects.
  - > Tax credits are based upon the cost basis of the projects, including hard and soft development costs.
  - > Land cannot be included in

- determining the amount of tax credits needed.
- > Rental Restriction: Rents on tax credit units cannot exceed 30 percent of an imputed income based on 1.5 persons per bedroom. The adjustment for family size made during the computation of the gross rent restriction is not based on the actual number of persons in the household. Instead, a designated number of persons is deemed to occupy a household based on the number of bedrooms in the unit. This is referred to as the "imputed income limitation."
- > Income Restriction: A minimum of 40 percent of the units must both be rent restricted and occupied by households whose incomes are 60 percent or less of the area median gross income or 20 percent of the units must be both rent restricted and occupied by households whose incomes are 50 percent or less of the area median gross income.
- > Long-term Affordability: Under the federal program, the tax credit projects must remain affordable for at least 15 years. Under the state program, the project must remain affordable for 55 years.

#### **ELIGIBLE APPLICANTS**

 Those utilizing tax credits must have an ownership interest in the project for which the credits are awarded.

# POINT OF CONTACT

# Lynn Wehrli, Executive Director

 $\mathsf{CTCAC}$ 

Phone Number: (916) 654-6340 Web Site: www.treasurer.ca.gov/ctcac E-mail: lwehrli@treasurer.ca.gov

Street Address: 915 Capitol Mall, Room 485

Sacramento, CA 95814

# 7. Department of Housing and Community Development (HCD)

a. MULTIFAMILY HOUSING PROGRAM (MHP) LOANS

HCD administers multifamily housing programs (MHPs) to assist in

the new construction,
rehabilitation, and
preservation of
permanent and
transitional rental
housing for lowerincome households
through low-interest loans.

The MHP consists of the following programs:

 The General program provides low interest loans for the development of rental housing.

- The Supportive Housing program provides funding for the development of units for disabled populations.
- The Services Space program reserves funding for the development of space for health and social services connected to MHP projects.
- The Student Housing program reserves funding for the development of units for low-income university students.

# ASSISTANCE TERMS

- · Deferred payment loans.
- Maximum loan term is 55 years.
- Three percent simple interest on unpaid principal balance.
- Payments of 0.42 percent are due annually, with the balance of principal and interest due and payable upon completion of the loan term.

# **ELIGIBLE ACTIVITIES**

- New construction, rehabilitation, or acquisition and rehabilitation of permanent or transitional rental housing, and the conversion of nonresidential structures to rental housing.
- Projects are not eligible if construction has commenced as of the application date or if they are receiving nine percent federal low income housing tax credits.

MHP funds will be provided for postconstruction permanent financing only.
Eligible costs include the cost of child
care, after-school care and social
service facilities integrally linked to
the assisted housing units, real property
acquisition, refinancing to retain affordable rents, necessary onsite and offsite
improvements, reasonable fees and
consulting costs, and capitalized
reserves.

# **ELIGIBLE APPLICANTS**

- Local public entities, for-profit and nonprofit corporations, limited equity housing cooperatives, individuals, Indian reservations and rancherias, and limited partnerships in which an eligible applicant or an affiliate of an applicant is a general partner.
- Applicants or their principals must have successfully developed at least one affordable housing project.

#### POINT OF CONTACT

Phone Number: (916) 323-3178 Web Site: www.hcd.ca.gov/ca/mhp

E-Mail Address:

multifamilyhousingsection@hcd.ca.gov

Mailing Address:

Dept. of Housing and Community Development

Division of Community Affairs Attn: Multifamily Housing Programs

P.O. Box 952054

Sacramento, CA 94252-2054

# b. CALHOME PROGRAM GRANTS AND LOANS

The CalHome Program enables low- and very low-income households to become or remain homeowners. Low- and very low-income levels are determined by counties based on income and the number of members within a household. CalHome does not loan directly to individuals.

# ASSISTANCE TERMS

- Grants to local public agencies or nonprofit corporations for first-time homebuyer down-payment assistance; home rehabilitation, including manufactured homes not on permanent foundations; acquisition and rehabilitation; homebuyer counseling; self-help mortgage assistance programs; or technical assistance for self-help homeownership. All funds to individual homeowners will be in the form of loans.
- Loans for real property acquisition, site development, predevelopment, construction period expenses of homeownership development projects, or permanent financing for mutual housing and cooperative developments. Project loans to developers may be forgiven as developers make deferred payment loans to individual homeowners.

 Assistance to individual households will be in the form of deferred-payment loans, payable on sale or transfer of the homes, when they cease to be owner-occupied, or at maturity.

# **ELIGIBLE ACTIVITIES**

- Predevelopment, site development, and site acquisition for development projects.
- Rehabilitation, acquisition, and rehabilitation of site-built housing, and rehabilitation, repair, and replacement of manufactured homes.
- Down-payment assistance, mortgage financing, homebuyer counseling, and technical assistance for self-help.

#### ELIGIBLE APPLICANTS

Local public agencies and nonprofit corporations.

# POINT OF CONTACT

Phone Number: (916) 327-3646 Web Site: www.hcd.ca.gov/ca/calhome E-Mail Address: mlawson@hcd.ca.gov

Mailing Address:

Dept. of Housing and Community Development CalHome Program 1800 3rd Street, Suite 390 Sacramento, CA 95814 c. BUILDING EQUITY AND GROWTH IN NEIGHBORHOODS (BEGIN) PROGRAM GRANTS AND LOANS

The BEGIN Program's goals are to reduce local regulatory barriers to affordable ownership housing and provide down-payment assistance loans to qualifying first-time low- and moderate-income buyers of homes in BEGIN projects. BEGIN also provides grants to cities, counties, and cities and counties to make deferred-payment second mortgage loans to qualified buyers of new homes, including manufactured homes on permanent foundations, in projects with affordability enhanced by local regulatory incentives or barrier reductions. BEGIN does not loan directly to individuals.

# ASSISTANCE TERMS

- Grants to cities, counties, and cities and counties.
- Loans by grant recipients at simple interest to qualifying homebuyers, not to exceed 20 percent of home sales price or \$30,000, whichever is less.

#### **ELIGIBLE ACTIVITIES**

 Second mortgage loans for down-payment assistance to low- or moderateincome first-time homebuyers.



 Eligible homes must be newly constructed in projects facilitated by local regulatory incentives or barrier reductions and may include manufactured homes.

#### **ELIGIBLE APPLICANTS**

Cities, counties, and cities and counties.

# POINT OF CONTACT

Phone Number: (916) 327-3646 Web Site: www.hcd.ca.gov/ca/begin E-Mail Address: mlawson@hcd.ca.gov

Mailing Address:

Dept. of Housing and Community Development BEGIN Program

1800 3rd Street, Suite 390 Sacramento, CA 95814

# d. CALIFORNIA SELF-HELP HOUSING PROGRAM (CSHHP) GRANTS

CSHHP assists low-and moderate-income families to build their homes with their own labor. Grants are made to sponsor organizations that provide technical assistance for participating families.

# ASSISTANCE TERMS

Grants for technical assistance operations.

# **ELIGIBLE ACTIVITIES**

 Training and supervision of low- and moderate-income self-help homebuilders.

# **ELIGIBLE APPLICANTS**

Local public agencies and nonprofit corporations.

# POINT OF CONTACT

Phone Number: (916) 445-9581 Web Site: www.hcd.ca.gov/ca/cshhp E-Mail Address: dfrankli@hcd.ca.gov

Mailing Address:

Dept. of Housing and Community Development California Self-Help Housing Program 1800 3rd Street, Suite 390

Sacramento, CA 95814

# e. JOE SERNA, JR. FARMWORKER HOUSING GRANT (JSJFWHG) PROGRAM

The JSJFWHG Program finances the new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with a priority for lower-income households. It is comprised of grants and loans to assist development or rehabilitation of various types of housing projects for agricultural worker households. A match of at least 100 percent is required for the primary JSJFWHG Program.

# ASSISTANCE TERMS

 Homeowner Grants: Grants are for rehabilitation or new home construction.
 Lien restrictions are required for 20 years. If the unit is sold to a non-farmworker buyer before completing the tenth year, the full grant amount must be repaid under most circumstances. Between the 10th and 20th years, the grant is forgiven at a rate of 10 percent per completed year. The grant is fully forgiven after 20 years.

Lien restrictions for assisted units are required for 40 years. If assisted units are sold for uses other than farmworker housing before the 40th year, the grant must be repaid in full, under most circumstances. Loans may be made in

conjunction with low-income tax credit

Rental Construction Grants or Loans:

Rental Rehabilitation Grants or Loans:
 Lien restrictions for assisted units are required for 20 years. If assisted units are sold for uses other than farmworker housing before the 20th year the grant must be repaid in full, under most circumstances. Loans may be made in conjunction with low-income tax credit financing only.

# ELIGIBLE ACTIVITIES

financing only.

Activities incurring costs in the development of homeowner or rental housing for agricultural workers including land acquisition, site development, construction, rehabilitation, design services, operating and replacement reserves, repayment of predevelopment loans, provision of access for the elderly or disabled, relocation, homeowner

counseling, and other reasonable and necessary costs.

# **ELIGIBLE APPLICANTS**

- Local government agencies; nonprofit corporations; cooperative housing corporations; limited partnerships, where all the general partners are nonprofit mutual or public benefit corporations; and federally recognized Indian tribes.
- Eligible beneficiaries of the grants are households with at least one person who derives, or prior to retirement or disability derived, a substantial portion of their income from agricultural employment.

# POINT OF CONTACT

Phone Number: (916) 324-0695 Web Site: www.hcd.ca.gov/ca/fwhg E-Mail Address: cgaines@hcd.ca.gov Mailing Address:

Dept. of Housing and Community Development Joe Serna, Jr. Farmworker Housing Grant Prog. 1800 3rd Street, Suite 390–8 Sacramento, CA 95814

f. CURRENT EMERGENCY HOUSING
ASSISTANCE PROGRAM (EHAP)
CAPITAL DEVELOPMENT DEFERRED
LOAN INFORMATION

Due to the passage of Proposition 46, approximately \$31 million in EHAP Capital Development funds will be available each year for the next six years beginning with fiscal year 2002-03. These funds are available as forgivable deferred loans for capital development to acquire, construct, or rehabilitate site for emergency shelters, transitional housing, and safe haven facilities for homeless persons.

#### **ELIGIBLE ACTIVITIES**

- Funds may be used for any or a combination of the following:
  - Acquisition of an existing facility in conjunction with rehabilitation and/or construction.
  - > Acquisition, including land in conjunction with new construction.
  - > New construction.
  - > Rehabilitation.
  - Administrative costs up to five percent of total loan amount.

#### POINT OF CONTACT

Phone Number: (916) 445-0845 Web Site: www.hcd.ca.gov/ca/ehap/

ehap-capdev.html

E-Mail Address: pdyer@hcd.ca.gov

Mailing Address:

Dept. of Housing and Community Development

EHAP-CD

1800 3rd Street, Suite 390-4 Sacramento, CA 95814

### g. WORKFORCE HOUSING REWARD PROGRAM GRANTS

The Workforce Housing Reward program provides financial incentives, through grants to cities and counties for their issuance of building permits for new housing affordable to very low- or low-income households.

#### ASSISTANCE TERMS

- Grant amounts will be based on the numbers of bedrooms in units restricted for very low-and low-income households for which final land use approval is issued during the 12-month reporting period.
- Qualifying rental units must be rent-restricted for at least 55 years.
- Ownership units must be initially sold to qualifying households at an affordable cost.
- Any public funds used to achieve affordability in ownership units must be recovered on resale and reused for affordable housing for at least 20 years.
- Grants for very low-income units will be greater than grants for low-income units.
- Very low-income means not over 50 percent of area median income, adjusted for family size. Low-income means not

over 80 percent of area median income, adjusted for family size.

#### **ELIGIBLE ACTIVITIES**

 Construction or acquisition of capital assets such as traffic improvements, neighborhood parks, bike paths, libraries, school facilities, play areas, community centers, police, or fire stations.

#### **ELIGIBLE APPLICANTS**

 Cities, counties, and cities and counties that, by the end of the 12-month period for which application is made, have adopted housing elements that HCD has found to be in substantial compliance with housing element law, and have submitted to HCD the annual progress report required by California Government Code Section 65400 within the preceding 12 months.

#### POINT OF CONTACT

Phone Number: (916) 323-3175 Web Site: www.hcd.ca.gov/ca/whrp E-Mail Address: lnichols@hcd.ca.gov

Mailing Address:

Dept. of Housing and Community Development

Workforce Housing Reward Program

P.O. Box 952053

Sacramento, CA 94252-2053

#### 8. California Housing Finance Agency (CalHFA)

a. CALIFORNIA HOMEBUYER'S DOWNPAYMENT ASSISTANCE PROGRAM (CHDAP) LOANS

The California Homebuyer's Downpayment Assistance Program (CHDAP) is designed to provide a deferred payment, simple interest rate junior loan of an amount up to the lesser of three percent of the sales price or appraised value.

#### ASSISTANCE TERMS

- This program is intended for lowand moderate-income, first-time homebuyers anywhere in California.
- The junior loan may be used for downpayment or closing costs and may be combined with a CalHFA or non-CalHFA conventional or government first mortgage loan.

#### **ELIGIBLE ACTIVITIES**

- The sales price of the home cannot exceed CalHFA's published sales price limits.
- · Purchase transactions only.
- CHDAP cannot be combined with CalHFA's Extra Credit Teacher Home Purchase Program or the Homeownership In Revitalization Areas Program.

					ĒS	state				
•	٠	•	٠	•	•	•	•	•	•	
Development										

 Single-family, one-unit residence, including condo/planned unit developments (manufactured housing is allowed if permanently attached, fee simple title).

percent of the home sales price. The six percent maximum loan amount was effective January 1, 2004; after 12 months of availability, CalHFA will re-evaluate for

continuance of this maximum loan amount.

junior loan of an amount not to exceed six

#### **ELIGIBLE APPLICANTS**

- First-time homebuyer.
- U.S. citizen or permanent resident alien or qualified alien.
- Occupy the property as a primary residence; non-occupant co-borrowers are not allowed.
- Within CalHFA-defined income limits.
- Meet credit, income, and loan requirements of the CalHFA lender and the mortgage insurer.

#### POINT OF CONTACT

Phone Number: (916) 324-8088

Web Site: www.calhfa.ca.gov/homeownership/ programs/chdap.htm E-Mail Address: homeownership@calhfa.ca.gov Mailing Address: California Housing Finance Agency Homeownership Division-Special Programs P.O. Box 4034

Sacramento, CA 95812

b. HOMEOWNERSHIP IN REVITALIZATION AREAS PROGRAM (HIRAP) LOANS

The Homeownership In Revitalization Areas Program (HIRAP) is designed to provide a deferred payment, simple interest rate

#### ASSISTANCE TERMS

- This program is intended for lowincome, first-time homebuyers anywhere in California.
- The junior loan may be used for downpayment or closing costs and may be combined with a CalHFA or non-CalHFA conventional or government first mortgage loan.

#### **ELIGIBLE ACTIVITIES**

- The sales price of the home cannot exceed CalHFA's published sales price limits.
- · Purchase transactions only.
- HIRAP cannot be combined with CalHFA's Extra Credit Teacher Home Purchase Program or the California Homebuyer's Downpayment Assistance Program.
- Properties must meet the following requirements:
  - Located in a community revitalization area targeted by the CalHFA-approved nonprofit.

TOOLS TO REVITALIZE CALIFORNIA COMMUNITIES

> Be a single-family, one-unit residence, including condo/ planned unit development (manufactured housing is allowed if permanently attached, fee simple title).

#### ELIGIBLE APPLICANTS

- First-time homebuyer.
- U.S. citizen or permanent resident alien or qualified alien.
- Occupy the property as a primary residence; non-occupant co-borrowers are not allowed.
- Completed homeownership counseling from a CalHFA-approved nonprofit organization.
- Meet HCD's lower income limits.
- Meet credit, income, and loan requirements of the CalHFA lender and the mortgage insurer.

#### POINT OF CONTACT

Phone Number: (916) 324-8088
Web Site: www.calhfa.ca.gov/
homeownership/programs/hirap.htm
E-Mail Address: homeownership@calhfa.ca.gov
Mailing Address:
California Housing Finance Agency
Homeownership Division
P.O. Box 4034
Sacramento, CA 95812

#### c. EXTRA CREDIT TEACHER HOME PURCHASE PROGRAM (ECTP) LOANS

The Extra Credit Teacher Home Purchase Program (ECTP) provides financial incentives for eligible teachers, administrators, classified employees, and staff members who otherwise may not be able to purchase a home. It is intended to help high priority schools attract and retain education professionals. The incentive comes in the form of loan financing and down payment assistance for the purchase of a primary residence anywhere in California, within sales price and income limits established for each county.

#### ASSISTANCE TERMS

- The program consists of two loans:
  - A CalHFA below market rate first mortgage loan, and
  - A deferred payment, second mortgage loan:
    - Of an amount not to exceed the greater of \$7,500 or three percent of the sales price in CalHFA-defined tatewide non-high cost areas, or;
    - Of an amount not to exceed the greater of \$15,000 or three percent of the sales price in CalHFA-defined high cost areas.



Interest on the second loan may be reduced to zero if the borrower meets continued eligibility by remaining employed in a high priority school on a continuous basis for three years from the date specified on the second loan documents.

#### **ELIGIBLE ACTIVITIES**

- Sales price of the home cannot exceed CalHFA's published sales price limits.
- Purchase transactions only.
- Single-family, one-unit residence, including condo/planned unit developments (manufactured housing is allowed if permanently attached, fee simple title).
- The program does not require the borrower to live in the same jurisdiction as the employing school.
- ECTP cannot be combined with CalHFA's California Homebuyer's Downpayment Assistance Program or the Homeownership In Revitalization Areas Program.

#### ELIGIBLE APPLICANTS

- First-time homebuyer.
- U.S. citizen, permanent resident alien, or qualified alien.
- Occupy the property as a primary residence; non-occupant co-borrowers are not allowed.

- · Within CalHFA-defined income limits.
- Meet credit, income, and loan requirements of the CalHFA lender and the mortgage insurer.
- Currently employed in a public or charter school that scores in the bottom 50 percent statewide rank on the Academic Performance Index (ranks 1-5) or be assigned to a school district but teach in, provide administration in, or provide service to at least one high priority school.
- Hold an appropriate credential for a teacher, administrator, or staff member or be employed as a "Classified Employee." Classified Employee means an employee of a school district employed in a position not requiring certification qualifications.
- Intend to work for three years continuously from the date of the loan in a high priority school.

#### POINT OF CONTACT

Phone Number: (916) 324-8088

Web Site: www.calhfa.ca.gov/homeownership/

programs/ectp.htm

E-Mail Address: homeownership@calhfa.ca.gov

Mailing Address:

California Housing Finance Agency Homeownership Division-Special Programs

P.O. Box 4034

Sacramento, CA 95812

# d. SCHOOL FACILITY FEE DOWNPAYMENT ASSISTANCE PROGRAM (SFF) GRANTS

The School Facility Fee Down Payment
Assistance Program (SFF) is designed to
provide qualified homebuyers assistance
with the purchase of their newly-constructed
home. Eligible applicants receive either a
partial or full rebate, in the form of a grant,
of the school facility fees paid by the
builder.

#### ASSISTANCE TERMS

- This program is intended for California homebuyers purchasing newlyconstructed single-family homes or condominiums.
- The assistance can be used for downpayment, closing costs, or any costs associated with the buyer's first mortgage loan, subject to acceptance by the mortgage lender or the mortgage insurer.
- Amount of assistance is based on the eligible school facility fees paid by the builder.
- Assistance is in the form of a grant, not a loan. If the homeowner occupies his or her home for five years, the lien placed against the property is released. If the home is owner-occupied for less than five years, the grant must be repaid on a pro rata basis.

#### **ELIGIBLE ACTIVITIES**

#### Program #1 - Economically Distressed Area

- Purchasing newly-constructed home.
- Building permit issued on or after January 1, 2002.
- Home must be located in an eligible designated economically distressed county and the sales price of the home cannot exceed SFF's sales price limits.
- Intend to occupy the home for five years.
- Manufactured housing is allowed if permanently attached, fee simple title.

#### Program #2 - First-time Homebuyer -Moderate Income Limits

- Purchasing newly-constructed home.
- Building permit issued on or after January 1, 2002.
- · First-time homebuyer.
- Within HCD's moderate-income limits.
- Intend to occupy the home for five years.
- Manufactured housing is allowed if permanently attached, fee simple title.

#### POINT OF CONTACT

Phone Number: (916) 324-8088 Web Site: www.calhfa.ca.gov/ homeownership/programs/sff.htm

E-Mail Address: homeownership@calhfa.ca.gov

Mailing Address:

California Housing Finance Agency Homeownership Division–Special Programs P. O. Box 4034

Sacramento, CA 95812

### e. PRESERVATION ACQUISITION PROGRAM LOANS

The Preservation Acquisition Program is designed to preserve at-risk affordable housing developments by providing low-cost acquisition financing. The fund is comprised of monies authorized by Proposition 46 ("Bond Funds") and funds from CalHFA ("Agency Funds"). A goal of the program is for the combined funds to be repaid from permanent financing sources and be recycled for new acquisition loans.

#### ASSISTANCE TERMS

- Loan to cost up to 100 percent of acquisition cost, subject to CalHFA approval.
- Minimum 110 percent debt service coverage.
- The acquisition loan comprised of both funds, plus all accrued interest, is due and payable two years from the date of funding.
- Bond Funds: Loans are three percent, simple interest, and are deferred until permanent financing is obtained.
- Agency Funds: Loan is four percent, simple interest.

#### **ELIGIBLE ACTIVITIES**

 Assisted housing developments eligible for the Preservation Acquisition Program are specified in California Government Code Section 65863.10 and include:

- Section 8 assisted, BMIR 221

   (d)(3), Section 236, Section 202,

   Programs under Rent Supplement

   Assistance, Section 515, Section

   42 of Internal Revenue Code.
- Loans held by CalHFA are not eligible for financing under this program.

#### **FEES**

- The application fee is \$500, due at time of application submittal. The purchase price may not exceed the "as is" market appraised value of the property. CalHFA reserves the right to accept or reject the appraisal.
- The loan fee is one percent (on the Agency Funds only) payable from the acquisition loan.
- One-half of the loan fee can be credited toward permanent CalHFA financing fees.
- To offset the cost of acquisition, sponsors may take a fee equal to one percent of the acquisition cost, or \$75,000, whichever is less, payable from the acquisition loan proceeds.

#### **ELIGIBLE APPLICANTS**

- Available to for-profit, non-profit, or public agency sponsors.
- A single asset entity will not be required for acquisition.

#### POINT OF CONTACT

Phone Number: (916) 322-5123 Web Site: www.calhfa.ca.gov

E-Mail Address: mfprograms@calhfa.ca.gov

Mailing Address:

California Housing Finance Agency Multifamily Finance Division 1121 L Street, Suite 207 Sacramento, CA 95814-3974

### f. MORTGAGE INSURANCE SERVICES LOANS

Mortgage Insurance Services provides credit enhancement for individual loans as an incentive for investors to participate in affordable housing loan programs. Special consideration is given to low- and moderate-income earners who qualify for lower mortgage insurance premiums than typically available in the market. Lower premiums make housing finance more affordable.

#### ASSISTANCE TERMS

- The insurance program focuses on assisting homebuyers in the following areas:
  - > Household income is within 120 percent of area median income.

Homebuyers qualified under the terms of Community and Affordable Housing Programs such as those offered by Fannie Mae and Freddie Mac.

#### **ELIGIBLE ACTIVITIES**

- One to four unit dwellings within
   California intended for owner occupancy.
- Purchase transactions and rate term refinances that lower housing expenses.
- Loans up to 100 percent loan-to-value.

#### **ELIGIBLE APPLICANTS**

- Meet HCD income limits (up to 120 percent of area median income).
- Meet credit standards established by investors that provide for flexibility to deserving homebuyers.
- Demonstrate the ability to maintain housing and living expenses.

#### POINT OF CONTACT

Phone Number: (916) 322-8936 Web Site: www.calhfa.ca.gov

E-mail Address: homeownership@calhfa.ca.gov

Mailing Address:

California Housing Finance Agency Mortgage Insurance Services P.O. Box 4034

Sacramento, CA 95814



# 1. California Educational Facilities Authority (CEFA)

CEFA issues revenue bonds to assist private nonprofit institutions of higher learning in the expansion and construction of educational facilities and qualifying equipment and technology purchases. Because it is authorized to issue tax-exempt bonds, CEFA may provide more favorable financing to such private institutions than might otherwise be obtainable.

### a. STANDARD AND POOLED TAX-EXEMPT BONDS

This program provides a borrower with access to low interest rate loan markets through the issuance of tax-exempt revenue bonds. Proceeds from the loan may be used by eligible borrowers to fund construction/renovation projects, acquisition, refinancing of existing debt, and costs of issuance. Given the cost of issuing bonds, this is the option usually pursued by borrowers with capital projects in excess of \$5 million.

Borrowers with more modest financing needs are sometimes grouped or "pooled" by CEFA into a single bond financing, where bond issuance costs are shared by participants.

#### **FEES**

- \$1,000 non-refundable application fee.
- Initial fee of 0.15 percent of the issue

- amount (up to a maximum of \$75,000) due and payable at closing.
- Annual administrative fee of \$500 for the first five years and \$250 thereafter, for the life of the bond.

#### ASSISTANCE TERMS

- Loans from tax-exempt bonds.
- Financing must meet certain minimum requirements as set forth in CEFA's Bond Issuance Guidelines.

#### **ELIGIBLE ACTIVITIES**

- All projects and related costs to be financed must meet the definitions of "project" and "cost" as defined in CEFA's enabling statute [California Education Code Section 94110(c) and (j)].
- In general, CEFA financing may be used for the following project-related costs:
  - > Construction,
  - > Remodeling and renovation,
  - > Land acquisition (as part of the proposed project),
  - > Purchase/lease of equipment,
  - > Refinancing/refunding of prior debt, and
  - Costs of bond issuance and reimbursement of prior expenses.

#### **ELIGIBLE APPLICANTS**

Private, nonprofit college, situated in California.

TOOLS TO REVITALIZE CALIFORNIA COMMUNITIES

- College must be non-sectarian and cannot restrict entry on racial or religious grounds.
- College must be functional for at least three years prior to submitting an application and be able to provide three years of audited financial statements.
- College must be able to demonstrate the ability to repay the debt and must show revenue or collateral sufficient to cover the debt service.
- College must be accredited by the Western Association of Schools and Colleges or, in the case of law schools, by the Committee of Bar Examiners of the State Bar or the American Bar Association.

#### POINT OF CONTACT

#### Dennis A. Trujillo, Executive Director

CEFA

Phone Number: (916) 653-2872 Web Site: www.treasurer.ca.gov/cefa E-mail Address: dtrujillo@treasurer.ca.gov Street Address: 915 Capitol Mall, Room 590

Sacramento, CA 95814

### **Success Story**

#### STANFORD UNIVERSITY

Founded in 1885, Stanford University is one of a select group of American universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is

internationally recognized

for the quality of its
teaching and research,
its distinguished
faculty, and its
outstanding student
body. The program
of instruction at Stanford

is organized around seven schools: Business, Earth Sciences, Education, Engineering, Humanities and Sciences, Law, and Medicine.

In March 2002, CEFA approved a \$150 million Tax-exempt Commercial Paper

Program (TECP) for Stanford University. In April 2002, Stanford began to utilize the commercial paper to support various planned capital expenditures and improvements. The planned capital improvements include the construction and renovation of residential facilities for undergraduate, graduate, and postdoctoral students and fellows. Other capital improvements include the constructing and renovating new and existing academic, research, and athletic facilities; expanding, replacing, and upgrading the infrastructure of campus and off campus facilities; and constructing and expanding communication systems, networks, and systems applications.

#### b. TAX-EXEMPT EQUIPMENT NOTES

A borrower under the program may fund qualifying equipment purchases of \$500,000 or more. The maturity of the loan must be related to the useful life of the equipment to be financed. Notes issued through the program will be collateralized by the equipment that is purchased.

Funds may be used to purchase or reimburse all types of qualifying equipment by an eligible educational facility, including, but not limited to, heating and air conditioning systems, computers, and telecommunications equipment. Funds may also be used to finance minor equipment installation costs.

#### **FEES**

 Low all-in program fees of between \$7,500 to \$17,500, based on financing amount.

#### ASSISTANCE TERMS

- · Lease purchase financing.
- Tax-exempt interest rate competitively bid.
- · Standardized documents.
- Easy application process.

#### ELIGIBLE APPLICANTS

 Private, nonprofit college with same eligibility requirements as for CEFA Tax-exempt Bonds.

#### POINT OF CONTACT

### **Dennis A. Trujillo, Executive Director**CEFA

Phone Number: (916) 653-2872 Web Site: www.treasurer.ca.gov/cefa E-mail Address: dtrujillo@treasurer.ca.gov Street Address: 915 Capitol Mall, Room 590

Sacramento, CA 95814

#### 2. California School Finance Authority (CSFA)

#### a. TAX-EXEMPT FINANCING

The California School Finance Authority (CSFA) was established in 1985 to provide tax-exempt, low-cost financing to school districts and community college districts to construct, repair, or renovate public school facilities. CSFA also assists school districts and community colleges by providing access to financing for working capital and other capital improvements.

#### **FEES**

 Application, board issuance and annual administrative fees may apply. Please contact CSFA for further information.

#### PROGRAM FEATURES

 Fixed or Variable Rate Options: Districts may elect a fixed rate financing or a variable rate program on either an interim or long-term basis.

- Intercept Program Options: District
  may pledge an intercept of their annual
  allotment of state revenue limit funds
  to guarantee the debt service on lease
  revenue bonds or certificates of
  participation.
- Stand-Alone or Pooled Options: Pooling several financings allows participants to achieve lower interest rates and costs of issuance, greater investor demand, and reduced administrative burden.

#### **ELIGIBLE ACTIVITIES**

- Reconstruct, remodel, or replace public school facilities.
- Acquire new school sites and buildings to be made available to public school districts (K-12) and community college districts.

### b. CHARTER SCHOOL FACILITIES PROGRAM

CSFA also jointly administers the \$400 million Charter School Facilities Program with the State Allocation Board. The Program provides low-cost financing to charter schools to renovate or construct facilities for their students.

#### **FEES**

None.

#### PROGRAM FEATURES

- The State provides 50 percent of project cost as a grant and the applicant is responsible for the repayment of the remaining 50 percent of the project cost.
- The applicant's share can be paid through a lease agreement for a term not to exceed 30 years.
- The lease rate is set at the Pooled Money Investment Account rate.
- The lease may be guaranteed by a quarantor.
- Title to the project is held by school district in which the project is located.

#### **ELIGIBLE ACTIVITIES**

 Funds may be used to renovate or construct facilities for K-12 charter school students.

#### ELIGIBLE APPLICANTS

- Charter school (or Education
   Management Organization) with two
   academic years of instructional operations.
- Public school district or county office of education on behalf of a charter school.
- Applicant with less than two years of operating history may satisfy this requirement by being managed by staff with at least two years of charter school experience.

#### PROGRAM ELIGIBILITY

- Applicant must be in compliance with charter terms and be in good standing with chartering authority.
- Applicant must provide audited financial statements, free of material exceptions or going concern issues.
- Applicant must demonstrate the ability to operate on a break-even basis.
- Applicant must demonstrate the ability to make annual lease payments.
- If applicable, guarantor must demonstrate financial stability, resources, and commitment to charter school.

#### POINT OF CONTACT

#### Katrina Johantgen, Executive Director

CSFA

Phone Number: (213) 620-4467 Web Site: www.treasurer.ca.gov/csfa E-mail Address: kjohantgen@treasurer.ca.gov

Street Address:

Los Angeles Office: 304 S. Broadway, Suite 550 Los Angeles, CA 90013-1224

Sacramento Office: 915 Capitol Mall, Room 576 Sacramento, CA 95814



# 1. California Health Facilities Financing Authority (CHFFA)

#### a. HFIPILIOANS

The HELP II Loan Program provides low interest loans of up to \$400,000 in an efficient, timely, and cost-effective manner. Since the program's inception in 1988, CHFFA has loaned over \$38.5 million to over 133 small and rural health facilities. Applications are accepted on a monthly hasis.

#### **FEES**

- \$50 non-refundable application fee.
- One time administrative fee of 1.25 percent of the loan amount.

#### ASSISTANCE TERMS

- Direct loan.
- Three percent fixed interest rate.
- Loan amounts \$25,000 to \$400,000
  (although can be used in conjunction
  with the HealthCAP Program for a total
  amount of \$1.4 million).
- Maximum loan-to-value ratio of 95 percent.
- Maximum loan term is 15 years (for equipment loans, the maximum term is five years).
- Borrowers must contribute a minimum of five percent toward project costs.

- · Revenue pledge required.
- · Fully amortized loans.
- No prepayment penalty.
- Loans are funded within approximately 60 days from the application date.
- Standard covenants include annual audits, adequate hazard insurance, and a requirement to notify CHFFA of any significant changes in corporate existence prior to the occurrence.

#### **ELIGIBLE ACTIVITIES**

- Funds may be used to:
  - > Purchase, construct, renovate, or remodel real property;
  - Perform feasibility studies, site tests, and surveys associated with real property;
  - Pay permit fees, architectural fees, and other pre-construction costs:
  - Purchase equipment and furnishings; and
  - Refinance existing debt when there is a significant interest rate savings or a balloon payment due within 12 months.

#### **ELIGIBLE APPLICANTS**

Must be a nonprofit 501(c)(3)
 corporation or a public health facility,
 i.e., district hospitals.

TOOLS TO REVITALIZE CALIFORNIA COMMUNITIES

- Must have been in existence for at least three years performing the same type of services.
- Must provide three years of audited financial statements.
- Must demonstrate fiscal soundness and the ability to meet the terms and conditions of the loan.
- Must show readiness to begin projects shortly after funding for construction and remodeling projects.
- Must provide for consumer savings and community benefit.
- Must be able to qualify as a "health facility" under CHFFA's enabling statute [California Government Code Section 15432(d)].

- Must be licensed by the State of California.
- Annual gross revenues cannot exceed \$20 million.

#### POINT OF CONTACT

### Sandra Simpson-Fontaine, Executive Director CHFFA

Phone Number: (916) 653-2799
Web Site: www.treasurer.ca.gov/chffa
E-mail Address: ssimpsonfontaine@treasurer.ca.gov
Street Address: 915 Capitol Mall, Room 590
Sacramento, CA 95814

### **Success Story**

### EISNER PEDIATRIC AND FAMILY MEDICAL CENTER

The Eisner Pediatric and Family Medical Center is one of the oldest healthcare institutions in Los Angeles. Since its founding in 1920 as the California Mothers

and Babies Hospital, the

Center has offered a
comprehensive range
of healthcare,
education, and
other services for
low-income children

The Center's mission is to provide high-quality medical and dental care, children's day care, and early intervention programs that are affordable to all families regardless of income level. Approximately 85 percent of its patients in downtown Los Angeles live below the poverty level. The Center works to seamlessly integrate its services with other providers including

child development, mental health counseling, case management, and health education, to ensure that children are not simply free from disease but healthy in all aspects of their lives.

The Center currently serves over 55,000 patients a year, a nearly 40 percent increase since 2000. In 2001, a Cedillo-Alarcón grant of \$250,000 helped fund the early phases of a project that will more than double the Center's size. In 2003, the Center received funding of \$400,000 from CHFFA's HELP II Program and funding of \$1 million from CHFFA's HealthCAP Program, supplementing millions of dollars contributed by individuals and foundations.

Its existing building (21,000 square feet) will be extensively renovated and an adjacent structure (30,000 square feet) will be constructed to house the Center's family services programs, childcare center, and administrative offices.

#### b. HEALTHCAP LOANS

CHFFA recognizes the difficulty small and rural health facilities have in obtaining adequate financing for their capital needs. CHFFA has partnered with NCB Development Corporation (NCBDC) to increase access to capital for these facilities. The program targets loans of \$400,000 to \$1 million with competitive rates and terms.

#### FEES

- \$250 non-refundable application fee.
- One-time loan origination fee ranging from 1.0 percent to 1.5 percent of the loan amount (for approved loans, the application fee will be applied to the loan origination fee).
- For approved loans, there is a document preparation fee of \$1,000.

#### ASSISTANCE TERMS

- Direct loan from NCBDC.
  - Interest rate is fixed for the first five years and adjusts (tied to the five-year Treasury Bill plus a margin of approximately 3.5-4.0 percent) every five years thereafter.
  - Loan amounts of \$250,000 to \$1 million (can be used in conjunction with the HELP II Loan Program for a total maximum

- loan amount of \$1.4 million).
- > Real property loans have a maximum loan-to-value ratio of 90 percent (for applicants with a loan-to-value ratio in excess of 80 percent, the borrower will be required to make a deposit in a reserve account).
- > Revenue pledge required.
- > Fully amortized loans.
- > No prepayment penalty.
- > Loans are funded within approximately 60-90 days from the application date.
- > Standard covenants include annual audits, adequate hazard insurance, and a requirement to notify CHFFA of any significant changes in corporate existence prior to the occurrence.

#### **ELIGIBLE ACTIVITIES**

- Funds may be used to:
  - > Purchase, construct, renovate, or remodel real property;
  - Perform feasibility studies, site tests, and surveys associated with real property;
  - Pay permit fees, architectural fees, and other pre-construction costs;
  - Purchase equipment and furnishings;

- > Reimburse eligible expenditures made within 90 days of the application date; and
- > Refinance existing loan with any of the following terms:
  - Balloon payment due within
     24 months,
  - Current interest rate which is at least three percent higher than the rate offered by NCBDC, and
  - Cash-out refinances of real property, with a minimum of \$200,000 cash-out (proceeds must be used for an eligible purpose).

#### ELIGIBLE APPLICANTS

- Must be a nonprofit 501(c)(3)
   corporation or a public health facility.
- Must have been in existence for at least three years performing the same type of services.
- Must provide three years of audited financial statements.
- Must demonstrate fiscal soundness and the ability to meet the terms and conditions of the loan.
- Must show readiness to begin projects shortly after funding for construction and remodeling projects.
- Must provide for consumer savings and community benefit.

- Must be able to qualify as a "health facility" under CHFFA's enabling statute [California Government Code Section 15432(d)].
- Must be licensed by the State of California.

#### POINT OF CONTACT

### Sandra Simpson-Fontaine, Executive Director CHFFA

Phone Number: (916) 653-2799
Web Site: www.treasurer.ca.gov/chffa
E-mail Address: ssimpsonfontaine@treasurer.ca.gov
Street Address: 915 Capitol Mall, Room 590
Sacramento, CA 95814

### c. STANDARD AND POOLED TAX-FXFMPT BONDS

Financings are normally accomplished through the issuance of tax-exempt bonds, sold by CHFFA, for individual borrowers or for groups of borrowers. CHFFA is authorized to issue bonds statewide with no effect on the bonding capacity of any particular city, county, or political subdivision.

Given the cost of issuing bonds, the standard option is usually pursued by borrowers with capital projects in excess of \$5 million.

Borrowers with more modest financing needs are sometimes grouped or "pooled" by CHFFA into a single bond financing, where bond issuance costs are shared by participants. This type of financing will generally allow a borrower to finance a loan for a minimum of \$500,000 for eligible projects.

#### **FEES**

- \$500 non-refundable application fee.
- Initial fee of \$1,000 (private health facilities with gross revenues of \$2.5 million or greater pay 0.075 percent of aggregate amount of issue up to a maximum of \$300,000).
- Annual administration fee of the lesser of 0.02 percent of outstanding bonds or \$500 (private health facilities with gross revenues of \$2.5 million or greater pay 0.02 percent of outstanding bonds).
- \$500 fee for extending an approved resolution.

#### ASSISTANCE TERMS

- Loans funded by the issuance of tax-exempt bonds.
- Financing must meet certain minimum requirements as set forth in CHFFA's Bond Issuance Guidelines.

#### **ELIGIBLE ACTIVITIES**

 CHFFA's enabling legislation allows it to finance a number of types of healthcare projects.

- For example, funds may be used to construct or remodel facilities and finance the interest expense (capitalized interest) over the construction/renovation period.
- Funds may also be used to refinance debt, acquire a new facility, buy equipment, or in certain instances, finance working capital.

#### **ELIGIBLE APPLICANTS**

- Must be a nonprofit 501(c)(3) corporation or authorized health facility (public health facilities also qualify for financing).
- Must be able to qualify as a "health facility" under CHFFA's enabling statute [California Government Code Section 15432(d)].

#### POINT OF CONTACT

### Sandra Simpson-Fontaine, Executive Director CHFFA

Phone Number: (916) 653-2799 Web Site: www.treasurer.ca.gov/chffa E-mail Address: ssimpsonfontaine@treasurer.ca.gov Street Address: 915 Capitol Mall, Room 590 Sacramento, CA 95814

### **Success Story**

# STANDARD TAX-EXEMPT BONDS THE HELP GROUP

Since 1975, The Help Group has been dedicated to serving young people with special needs related to autism, Asperger's Syndrome, learning disabilities,

emotional development, mental retardation,

abuse, and neglect.

The Help Group's wide range of innovative special education and clinical programs are inspired by its belief that

dignity, hope, opportunity, and love are the birthrights of all children.

One of the largest and most comprehensive nonprofit organizations of its kind, The Help Group has touched the lives of over 5,000 young people and their families with over 500 staff members and four major campuses in the Los Angeles area, comprising state-of-the-art educational and therapeutic facilities.

Each year, the demand for its programs continues to grow dramatically. For a number of years, The Help Group had received numerous requests to open a facility that would provide its programs to the children

and families who reside in southern
Los Angeles County. With a commitment
to broaden the reach of its programs, The
Help Group initiated an extensive search
for a site in this area. In July of 1999, the
Board of Directors authorized the purchase
of a 4.5-acre property with 125,000 square
feet of facilities consisting of the former
Washington Hospital Medical Center and
adjacent parcels to accommodate this
program's expansion.

In March of 2000, The Help Group sought approval for the issuance of tax-exempt bonds through CHFFA in the amount of \$17,620,000, insured through the Cal-Mortgage Loan Insurance Program, in order to refinance its existing short-term real estate notes and to fund building rehabilitation.

The issuance of these bonds was approved and the project was completed in June 2001. The complex opened in July 2001 and includes two major special education campuses and a child and family mental health counseling center. Through the collaboration of the State of California and The Help Group, thousands of children with special needs will be able to look forward to fulfilling their potential to lead positive, productive, and rewarding lives.

### POOLED TAX-EXEMPT BONDS AITA MFD

One successful pooled financing, entitled the 1985B Pooled Loan Program, was issued in 1985 at a variable rate for a 25-year term. There have been 60-70 loans made from this revolving pool ranging from \$300,000 to \$7 million in size. Due to U.S. Treasury regulations, principal loan repayments from governmental borrowers must be used to redeem bonds and cannot be recycled. Thus, only \$25 million in funds remain in the pool. Earnings on the debt service reserve and other funds on hand earn 153 basis points higher than the bond rate. These earnings are used to offset interest and other costs. In some months, these earnings are sufficient to cover all interest costs. These bonds are also insured by the Financial Guarantee Insurance Company (FGIC), which requires all borrowers to obtain a backup standby letter of credit before they approve any new loans.

One example of a very worthwhile borrowing is the case of Alta Med Health Services Corporation, one of the largest multi-site minority clinics in Los Angeles, which focuses on the area's underserved population.

Alta Med, located in East Los Angeles, is accessed by over 40,000 clients a year (on a sliding fee scale basis) and has 500 employees on staff. Some of the services that Alta Med provides include:

- Traditional and family practice;
- Pediatrics, family planning, and prenatal care;
- · HIV treatment program;
- · Drug treatment program;
- · Teen program; and
- Adult Day Health Care Centers.

Alta Med has accessed the 1985B Pooled Loan Program twice and both times concluded that the low interest rate of 2.5-3 percent was better than any private funding that was available and that bank loans would have required Alta Med to post collateral. Alta Med's first loan of \$2.3 million was used to purchase and renovate a building into a state-of-the-art facility. The second loan, in the amount of \$1.2 million, renovated and equipped an existing Alta Med facility. This program has allowed Alta Med to provide more services to East Los Angeles' lower-income, under- and uninsured communities.

#### d. TAX-EXEMPT EQUIPMENT NOTES

CHFFA has established this program to provide health facilities with access to tax-exempt fixed-rate financing for their equipment purchases.

A borrower under the program may fund qualifying equipment purchases of \$500,000 or more. The maturity

of the loan must be related to the useful life of the equipment to be financed. Notes issued through the program would be collateralized by the equipment that is purchased.

#### **FEES**

- \$500 non-refundable application fee.
- Initial fee for each completed financing of 0.05 percent of the issue amount.
- Annual administrative fee of \$400 as long as there is an outstanding balance.
- There may be a charge for administrative costs for applications that are not approved.

#### ASSISTANCE TERMS

- Loans funded by tax-exempt notes.
- There are three types of financings available:
  - > Competitive Equipment Program CHFFA would competitively bid

- the placement of the note and the setting of the interest rate;
- > Generic Equipment Program Applicant has identified financing for the equipment purchase, requests CHFFA to act as issuer of the tax-exempt notes; and
- G.E. Capital Equipment Program –
   Applicant would negotiate with
   G.E. Capital on the interest rate,
   subject to approval by CHFFA.

#### ELIGIBLE ACTIVITIES

- Funds may be used to purchase or reimburse all types of qualifying equipment by an eligible health facility, including, but not limited to, medical and diagnostic equipment, computers, and telecommunications equipment.
- Funds may also be used to finance minor equipment installation costs.

#### **ELIGIBLE APPLICANTS**

- Must be a nonprofit 501(c)(3) corporation or authorized health facility (public health facilities also qualify for financing).
- Must be able to qualify as a "health facility" under CHFFA's enabling statute [California Government Code Section 15432(d)].

#### POINT OF CONTACT

### Sandra Simpson-Fontaine, Executive Director CHFFA

Phone Number: (916) 653-2799
Web Site: www.treasurer.ca.gov/chffa
E-mail Address: ssimpsonfontaine@treasurer.ca.gov
Street Address: 915 Capitol Mall, Room 590
Sacramento, CA 95814

#### e. CEDILLO-ALARCÓN COMMUNITY CLINIC INVESTMENT ACT OF 2000 GRANTS

Under the provisions of Chapter 99,
Statutes of 2000, (AB 2875, Cedillo), CHFFA
was authorized to administer the CedilloAlarcón Community Clinic Investment Act of
2000 (Act), a one-time, \$50 million grant
program for primary care clinics. The Act
identified the following four geographical
areas for which funding would be provided:
Central Coast, Los Angeles/Ventura,
Northern/Central, and Southern California.
After performing an extensive application
review process, CHFFA awarded 351 grants
to 301 clinic organizations statewide.

The legislation provided that the grants awarded would be for a maximum of \$250,000 per eligible clinic. The grants were awarded to clinics that had capital outlay projects that demonstrated an ability to expand and improve access to healthcare for the indigent, uninsured, and underinsured of California.

#### **ELIGIBLE ACTIVITIES**

- Construct or expand facilities.
- Remodel or renovate facilities. Applicant had to have a minimum five-year lease term remaining to renovate or remodel a leased facility.
- Purchase equipment for furnishing or equipping facility.
- · Acquire new facilities.
- Permit and project plan fees.

#### **ELIGIBLE APPLICANTS**

- Clinics licensed under California Health and Safety Code Section 1204(a) as a Community Clinic or a Free Clinic.
- Clinics exempt from licensure under California Health and Safety Code Section 1206(c) as Indian clinics operating on federally designated tribal land.

#### POINT OF CONTACT

### Sandra Simpson-Fontaine, Executive Director CHFFA

Phone Number: (916) 653-2799

E-mail Address: ssimpsonfontaine@treasurer.ca.gov Street Address: 915 Capitol Mall, Room 590

Sacramento, CA 95814

### **Success Story**

### Mobile Medical Office - Recipient of Two Cedillo-Alarcón Grants

The Mobile Medical Office (MMO), a standalone, nonprofit health center operating out of two custom motor homes complete with exam rooms, a lab, and pharmacy,

has been collaborating with

Humboldt and Del Norte
County agencies,
community organizations, and individual
providers for fourteen
years in order to
provide access to highquality primary health care

for the most vulnerable and high-risk members of the population who have difficulty obtaining care through traditional channels. MMO's patients include indigent adults, homeless families, underserved teens, and rural working poor who "fall between the cracks" of traditional health care delivery systems due to barriers that may include lack of money, lack of transportation, cultural differences, substance abuse problems, mental health problems, and other isolating factors. Many patients fall into the category of "undesirables", as classified by the mainstream medical providers who are reluctant to serve Medicare or Medi-Cal patients and even by other clinics who regularly serve the poor.

Founded in 1990 as a collaborative effort between Dr. Wendy Ring, a general practitioner and several small rural communities, MMO developed as a creative way to meet the health needs of underserved groups too geographically distant and culturally disparate to be served by a single stationary health facility and too small for each to justify a full-time health facility of its own.

In 1997, after years of struggling financially to survive, Dr. Ring, with the help of several community advocates, reorganized the MMO as a federally designated nonprofit charitable organization in order to be able to take advantage of government and private foundation grants and community funding opportunities.

In 2001, MMO doubled its staff, expanded its hours and increased the number of patient encounters by 50 percent. The leased two-room administrative building was inadequate for the growing needs of the organization. MMO received \$90,000 from the Cedillo-Alarcón Community Clinic Investment Act to use as the downpayment for a new building that would adequately house the organization's administrative arm.

In 2002, MMO received a second grant of \$99,926 to purchase a new Electronic Medical System that replaced 3,000 pounds of paper files that lightened the load of the mobile office and enabled the organization to purchase a back-up Mobile Unit with funds from local supporters.

TOOLS TO REVITALIZE CALIFORNIA COMMUNITIES

# 2. Office of Statewide Health Planning and Development (OSHPD)

#### Cal-Mortgage Loan Insurance Division (Cal-Mortgage)

a. CALIFORNIA HEALTH FACILITY
CONSTRUCTION LOAN INSURANCE

The California Health Facility Construction Loan Insurance Program is modeled after federal home mortgage programs and enables nonprofit and public healthcare facilities to obtain private financing to develop or expand their services in communities throughout California. The Program's mission is to improve access to needed health care services, without a cost to taxpayers.

Under the Program, qualifying nonprofit or public health care facilities can borrow funds for capital needs from long-term lenders with Loan Insurance. The guarantee provides borrowers with greater access to the financial market at lower tax-exempt bond interest rates.

Loan insurance is available to non-rated and below-investment-grade health care facilities that demonstrate community need.

#### **FEES**

- One-time, non-refundable, application fee of \$500.
- Certification and inspection fee of four tenths of one percent (0.4 percent) of the amount insured.
- One-time insurance premium of up to three percent of total principal and interest (premiums may be reduced for projects with a credit rating from Moody's, Standard & Poor's, or Fitch).

#### **ELIGIBLE ACTIVITIES**

- Loans may be insured to finance the construction of new facilities, the acquisition of existing buildings, or facility expansion, modernization, and renovation
- Loan guarantees are available for the financing of fixed or moveable equipment needed to operate the facility.

#### **ELIGIBLE APPLICANTS**

- Some examples of health facilities eligible for Cal-Mortgage Loan Insurance include:
  - > General acute care hospitals,
  - > Skilled nursing facilities,
  - > Clinics.
  - > Laboratories,
  - > Mental health centers,

- > Nursing homes,
- > Adult day health centers,
- > Rehabilitation facilities,
- > Intermediate care facilities,
- > Facilities for the developmentally disabled,
- > Group homes,
- Facilities for the treatment of chemical dependency,
- Accredited nonprofit work activity programs,
- Offices and central service facilities operated in connection with licensed health care facilities, and
- Multi-level facilities, operated in conjunction with a health care facility.

#### POINT OF CONTACT

#### Dale Flournoy, Deputy Director

OSHPD - Cal Mortgage

Phone Number: (916) 324-9957 Web Site: www.oshpd.ca.gov/calmort E-mail Address: dflournoy@oshpd.ca.gov Street Address: 300 Capitol Mall, Suite 1500

Sacramento, CA 95814

#### **SUCCESS STORY**

See CHFFA Standard Tax-exempt Bond example on page 49.

TOOLS TO REVITALIZE CALIFORNIA COMMUNITIES

CTCAC ADMINISTERS THE

COMMERCIAL REVITALIZATION

DEDUCTION PROGRAM, A FEDERAL

PROGRAM DESIGNED TO STIMULATE

JOB GROWTH AND ECONOMIC

DEVELOPMENT IN SOME OF THE

NATION'S MOST DISTRESSED

COMMUNITIES.



## 1. California Tax Credit Allocation Committee (CTCAC)

a. COMMERCIAL REVITALIZATION DEDUCTION PROGRAM

CTCAC administers the Commercial Revitalization Deduction Program, a federal program designed to stimulate job growth and economic development in some of the nation's most distressed communities.

In December 2000, Congress, through the U.S. Department of Housing and Urban Development (HUD), designated 40 communities across the nation as Renewal Communities. Five of these Renewal Communities are in California. They are portions of the Cities of San Francisco, Los Angeles, and San Francisco, as well as the rural communities of Orange Cove and Parlier. This Renewal Community designation allows each community to utilize a variety of tax incentives to stimulate economic revitalization.

Pursuant to an adopted Qualified Allocation Plan, CTCAC administers a part of that program known as the Commercial Revitalization Deduction Program. CTCAC can allocate up to \$12 million in tax deductions to qualifying businesses in each of the Renewal Communities annually through 2009. These deductions are available to

businesses located in the Renewal Communities that acquire and renovate, rehabilitate existing structure(s), or build property for commercial use.

Interested persons should first contact the designated official in the Renewal Community for more information.

#### **FEES**

- Non-refundable application fee, in the amount of \$300 must be submitted with the initial application.
- A reservation fee is of \$500 is due and payable within 20 days after the Committee takes action to reserve the deduction for the applicant. For projects receiving less than \$50,000 in deduction reservations, the fee may be waived upon request.
- For those projects that are placed-inservice in the year in which the application is made, an allocation/monitoring fee equal to 0.25 percent (0.0025) of the deduction award must be paid.
- Projects that will not be placed-in-service in the year in which the allocation is made and will require a carryover allocation, an additional carryover fee equal to \$500 or 0.1 percent (0.001) of the deduction award must be paid.

#### ASSISTANCE TERMS

- Once the applicant has received a deduction allocation, the applicant may choose either:
  - Claim 50 percent of the qualifying expenditures in the year in which the building is placed-in-service and to capitalize the remaining expenses under applicable tax law, or
  - Claim the entire expenditure at a rate of ten percent per year for ten years, beginning in the year the project is placed-in-service.

### OBJECTIVES OF COMMERCIAL REVITALIZATION DEDUCTIONS

- To maximize the number of permanent, full-time job opportunities for residents of Renewal Communities.
- To allocate commercial revitalization tax deductions to those entities that provide the greatest overall public benefits for the Renewal Community.
- To encourage development and rehabilitation of appropriate commercial property.
- To encourage revitalization of the economies of the Renewal Communities.
- To provide opportunities for participation in Renewal Community partnerships to Renewal Community residents and nonprofit groups.

#### POINTS OF CONTACT

#### LOS ANGELES

#### **Cliff Weiss**

Renewal Community Manager 215 W. 6th Street, 3rd Floor Los Angeles, CA 90014

#### **ORANGE COVE**

#### Jim Gordon

Renewal Community Manager 633 6th Street Orange Cove, CA 93646

#### PARLIER

#### Lou Martinez

Director of Economic Development 1100 E. Parlier Ave Parlier, CA 93648

#### **SAN DIEGO**

#### Ples Felix

Renewal Community Manager 600 B Street, 4th Floor, MS 904 San Diego, CA 92101-4506

#### **SAN FRANCISCO**

#### Albert Lerma

Program Director 25 Van Ness Avenue, Suite 700 San Francisco, CA 94102

# 2. California Pollution Control Financing Authority (CPCFA)

a. CALIFORNIA CAPITAL ACCESS
PROGRAM (CALCAP) FOR SMALL
BIISINESSES LOANS

CalCAP is a loan program that provides an important source of capital for small

businesses that may otherwise have difficulty in obtaining financing. CalCAP provides incentives for a lender to make small business loans by establishing a loss reserve account as a form of loan portfolio insurance. The loss reserve account provides up to 100 percent coverage to the lender.

#### **FEES**

 The borrower and lender each pay a two percent to 3.5 percent fee (the lender determines the exact amount) to the CalCAP loss reserve account to enroll a loan.

#### ASSISTANCE TERMS

- A lender can enroll all or a portion of a term loan or line of credit into CalCAP.
- The maximum loan amount is \$2.5 million.
- Loans can be short- or long-term, have fixed or variable rates, be secured or unsecured, and bear any type of amortization schedule.
- The borrower works directly with a CalCAP lender to obtain a loan.
- The CalCAP lender approves loans directly without burdensome governmental approval of the loan-making process.
- CPCFA provides a 100 percent match of the combined borrower and lender loss reserve account contributions.

### Special Benefits for Severely Affected Communities:

 CPCFA increases its deposit to CalCAP loss reserve accounts by 50 percent for loans made to small businesses in severely affected communities, such as State Enterprise Zones.

#### **ELIGIBLE ACTIVITIES**

- Loans can be used to finance the acquisition of land, the construction or renovation of buildings, the purchase of equipment, working capital, and other capital projects. There are limitations on real estate loans and loan refinancing.
- Examples of ineligible uses of loan
   proceeds include any type of luxury
   facility, such as a golf course or country
   club, racetrack, airplane, or gambling
   facility or any business whose principal
   business is the sale of alcoholic beverages
   consumed off site, the sale of firearms,
   or the sale of tobacco products.

#### ELIGIBLE APPLICANTS

- Most small businesses, with few exclusions, qualify for CalCAP.
- A typical definition of a small business is one with 500 or fewer employees.
- The small business must have its primary location in California.

 The small business activity resulting from the loan must be primarily created and retained in California.

#### POINT OF CONTACT

#### Don Sherman, Program Manager

CPCFA - CalCAP

Phone Number: (916) 654-5610 Web Site: www.treasurer.ca.gov/cpcfa E-mail Address: calcap@treasurer.ca.gov Street Address: 915 Capitol Mall, Room 457

Sacramento, CA 95814

b. SMALL BUSINESS ADVISORY ASSISTANCE (SBAA) SERVICES

#### **IMPLEMENTATION DATE: WINTER 2004**

CPCFA is implementing a new small business advisory service. This service, to be initially offered on a pilot basis, will help entrepreneurs to grow and develop their companies and will be available to small businesses located in low-income communities. This form of small business assistance will improve access to other forms of capital for these small businesses and spur further investment, create jobs, expand economic opportunities, and assist in the recovery of distressed neighborhoods and communities to strengthen economic recovery in California.

CalCAP's small business advisory service will provide entrepreneurs with access to

valuable business development resources through various programs and services including:

- Individualized, targeted assistance,
- Access to high-caliber volunteer advisors (i.e., CEOs),
- Assistance to develop needed skills and expertise, and
- Assistance in overcoming specific business challenges.

#### **ELIGIBLE APPLICANTS**

- 500 employees or less.
- Must demonstrate:
  - > potential for growth and profitability,
  - commitment to working with a business advisor, and
  - > commitment to local hiring.
- Preference for companies with:
  - > \$500,000 to \$20 million in annual revenues,
  - > Two years operational history, and
  - > Successful CalCAP experience.
- Business located in a low-income community and employing (or having the potential to employ) a significant number of employees from that community with preference given to companies located in severely affected communities (e.g., State Enterprise Zones).

				Business						
•	•	•	٠	•	•	•	٠	•	•	
		Development								

#### POINT OF CONTACT

#### Sherri Kay Wahl, Program Manager

CPCFA - SBAA

Phone Number: (916) 654-5610 Web Site: www.treasurer.ca.gov/cpcfa E-mail Address: calcap@treasurer.ca.gov Street Address: 915 Capitol Mall, Room 457

Sacramento, CA 95814

# 3. California Industrial Development Financing Advisory Commission (CIDFAC)

### a. TAX-EXEMPT INDUSTRIAL DEVELOPMENT BONDS

CIDFAC approves the issuance of Industrial Development Bonds (IDBs) as a partner with local governments. The local government can be a city, county, economic development authority, redevelopment agency, or a joint powers authority. A potential borrower applies through its local entity, but must be approved by CIDFAC, which issues the "Certificate-of-Sale" at the bond closing.

#### • Empowerment Zone (EZ) Bonds:

Developed by the federal government to assist distressed communities. Unlike traditional IDBs, empowerment zone bonds are not limited to a maximum \$10 million par amount. Borrowers are not limited to manufacturers but include

retailers and any service that operates in the EZ.

#### The California Organized Investment Network (COIN) Program:

Is a division of the California
Department of Insurance that provides a
mechanism for insurance companies to
purchase privately placed IDBs. COIN is
a voluntary investment program that
has a mission to match entrepreneurs,
nonprofit groups, and local governments
either directly or through intermediaries
with insurance industry investment capital.

#### The State Teachers' Retirement System (STRS) Letter of Credit Program:

Provides a mechanism for IDBs to be issued under STRS' strong credit rating while allowing borrowers to maintain their existing banking relationships.

#### • The Small Business Program:

Streamlined small business "one-s top shop" issuance process. CDLAC allocation and CIDFAC approval are received simultaneously to finance land, acquisition, buildings, and equipment.

#### · Energy Financing Program:

Provides financing for manufacturers to purchase and install energy efficient equipment, renewable energy systems, or clean distributed power generation systems. TOOLS TO REVITALIZE CALIFORNIA COMMUNITIES

#### **FEES**

- \$1,250 non-refundable application fee.
- General fee of 0.25 percent of the total amount of the bond issued.

#### ASSISTANCE TERMS

- 95 percent of proceeds must be used for the defined IDB project.
- A public hearing (TEFRA) must be held before the bonds are issued.
- To acquire a used building, a minimum of 15 percent of the bond proceeds must be used to renovate the facility.
- The weighted life of the bond issue cannot exceed 120 percent of the weighted average of the estimated useful life of the assets being financed.
- Maximum bond term is 40 uears.
- Maximum par amount of \$10 million.
- Total outstanding IDBs by any one company cannot exceed \$40 million nationwide.

#### **ELIGIBLE ACTIVITIES**

- Industrial projects include manufacturing and processing.
- Bond proceeds can be used to acquire:
  - > Land (up to 25 percent of the proceeds);
  - > Buildings and equipment;
  - > Machinery and furnishings;

- > Landscaping;
- Costs of architects, engineers, attorneys, and permits; and
- > Costs of bond issuance (up to two percent).

#### **ELIGIBLE APPLICANTS**

- CIDFAC approves the issuance of IDBs as a partner with local governments.
- The local government can be a city, county, economic redevelopment agency, or a joint powers authority.
- The local governmental entity is the issuer of the IDBs and CIDFAC is the approval agency.
- Local governments who do not wish to participate in the CIDFAC issuance process can contact the California Infrastructure and Economic Development Bank Conduit Revenue Bond Program (see page 73).

#### POINT OF CONTACT

### Joanie Jones-Kelly, Executive Director

CIDFAC

E-mail Address: jkelly@treasurer.ca.gov/cidfac Phone Number: (916) 653-3843

Web Site: www.treasurer.ca.gov/cidfac Street Address: 915 Capitol Mall, Room 457 Sacramento, CA 95814

### **Success Story**

#### MALMBERG ENGINEERING, INC.

Malmberg Engineering, Inc., whose major customers are medical instrumentation manufacturers, has added two new departments. The two new departments are for assembly and for tooling to accommodate

their customers' requests for

assembly service. With
the addition of the
new departments,
Malmberg no longer
needs to subcontract
orders to meet
customer needs. The

company is able to produce products at a faster rate, which enables them to meet end product demand to medical and hospital facilities.

Malmberg issued \$3 million in tax-exempt bond financing through Alameda County with CIDFAC approval. The project included the acquisition of two acres, site preparation, construction of a 30,000 square foot facility, and the purchase and installation of new equipment. The project expansion added approximately 90 new jobs to the county.

#### AMERICAN FISH & SEAFOOD

Getting fresh and frozen seafood to supermarket chains, hotels, and national cruise ship lines just got easier for the American Fish & Seafood Company. Los Angeles City officials have just signed off on a \$10.2 million bond deal that will allow the familyowned company to build a new processing and distribution facility in the downtown Produce Mart area, which is located in a federal Empowerment Zone (EZ). This is the second bond issuance by the City of Los Angeles utilizing the new allocation, and the largest in California. American Fish & Seafood will use the multi-million dollar bond to build a new 63,000 square foot processing and distribution facility. Stimulating businesses' growth and development in neighborhoods is the foundation of the EZ bond program.

"Our company has a stake in this community. By building and expanding, we hope to see more businesses' move to the downtown area. As more businesses come in, goods and services will follow and have a positive impact on the overall area," said James Doizaki, who heads the company's real estate branch, DF Associates.

Doizaki's grandfather started American Fish & Seafood in the 1940's. Today the wholesale fish distributor employs 125 people and operates from a 30,000 square foot facility that it has outgrown. The new plant will give the company twice the operating

room and include state of the art machinery. "Right now we're using 25 year old technology. One new piece of machinery we're looking at will allow us to automate our shrimp steaming process, which is now done by hand," Doizaki says, "The drain on city services, such as power and water will be relieved with the use of new technology."

The Industrial and Commercial
Development Division of the Los Angeles
Community Development Department
(CDD) oversees bond, loan, and tax
incentive programs within the City's EZ.
One of the EZ bond requirements calls for a
business to hire 35 percent of its workforce

from the local community. American Fish & Seafood is working with a Worksource Center, run by Goodwill Industries, and partially paid for by federal Workforce Investment Act funds, to meet the hiring qoal.

Meanwhile, Los Angeles has a federal allocation of \$230 million in bond authority available to the City through 2009. The CDD is actively seeking companies, within the EZ or that are willing to relocate in the EZ to take advantage of this economic incentive package.



## 4. California Public Employees' Retirement System (CalPERS)

#### a. THE CALIFORNIA INITIATIVE

The California Initiative is designed to deploy equity capital in traditionally underserved markets, primarily, but not exclusively, located in California. The objective is to discover and invest in opportunities that may have been bypassed or not reviewed by other sources of investment capital. This program provides CalPERS with competitive risk-adjusted rates of return while still promoting growth and development of the targeted areas.

#### PROGRAM STRUCTURE

- In May 2001, the CalPERS Investment Committee approved a commitment of \$475 million to eleven investment firms targeting the following stages of private equity capital:
  - > Seed and early stage capital,
  - > Later stage venture capital,
  - > Growth/expansion stage capital,
  - > Middle market buyouts, and
  - Corporate partnerships to relocate or expand operations in under served areas.

#### TARGETED OPPORTUNITIES

 Underserved markets include urban and rural areas where underutilized and untapped assets and resources exist that

- may be leveraged for the formation of new business activity.
- Underserved markets also include companies that provide goods and services to traditionally overlooked consumer groups.

#### **ELIGIBLE APPLICANTS**

 Small to middle market companies operating in underserved markets in various stages of the growth cycle.

#### POINTS OF CONTACT

#### Joncarlo Mark, Portfolio Manager

CalPFRS

Phone Number: (916) 326-3267 Web Site: www.calpers.ca.gov

E-mail Address: joncarlo\_mark@calpers.ca.gov Street Address: Lincoln Plaza, 400 P Street Sacramento, CA 95814

#### Jesús S. Argüelles, Investment Officer

CalPERS

Phone Number: (916) 326-3151 Web Site: www.calpers.ca.gov

E-mail Address:

jesus\_arguelles@calpers.ca.gov

Street Address: Lincoln Plaza, 400 P Street

Sacramento, CA 95814

AND

#### **Fund Managers:**

 American River Ventures Fund, LP (Venture capital for Sacramento, Central Valley, East Bay, and North Bay areas), Corley Phillips (916) 780-2828

- Bank of America California Community
   Venture Fund, LLC (Fund-of-funds for partnerships targeting underserved markets primarily
  in California), Sanjiv Shah (312) 828-6378
  and Carolun Choi (415) 622-0116
- Draper Fisher Jurvetson Frontier (California Venture Capital), Scott Lenet (916) 444-9000
- Garage California Entrepreneurs' Fund, LP (Seed capital), Guy Kawasaki (650) 470-0950
- Green Equity Partners California Opportunity Fund, LP (Consumer services, middle market), Peter Nolan (310) 954-0450
- Nogales Investors Fund, LP (Consumerrelated businesses – retail, media, and distribution), Luis Nogales (310) 276-7439
- Opportunity Capital Partners Fund IV, LP
   (Middle-market multistage technology, manufacturing, and media throughout California), Peter Thompson (510) 795-7000
- Pacific Community Ventures II, LLC (Small enterprises in low- and moderate-income areas of Northern California), Penelope Douglas (415) 442-4300
- Provender Opportunities Capital Fund, LP (Middle-market multistage – financial services, technology, and media), Frederick Terrell (212) 271-8878
- Yucaipa Corporate Initiatives Fund, LP (Corporate relationships and joint ventures), Ed Renwick (310) 228-3500

# California State Teachers' Retirement System (CalSTRS)

a. INVESTMENTS IN UNDERSERVED URBAN AND RURAL MARKETS, AND NEW AND NEXT GENERATION MANAGERS

These funds are designed to make private equity investments in markets that have been traditionally underserved. Managers selected by CalSTRS to manage these investment funds serve as fiduciaries to CalSTRS and have sole discretion for all investments that are expected to make private equity risk/return requirements.

#### **INVESTMENT STRUCTURE**

 CalSTRS has committed \$350 million, which consists of a \$250 million allocation to Underserved Urban and Rural Markets, and a \$100 million allocation to New and Next Generation Managers.

#### **STRATEGIES**

#### **Underserved Urban and Rural Markets**

 CalSTRS has selected several managers to oversee this strategy. The Bank of America California Community Venture Fund is a fund-of-funds manager which selects funds that target this market and the Yucaipa Corporate Initiatives and Nogales Investor Funds both make direct investments in companies meeting each of their respective underserved strategies and performance criteria.

#### **New and Next Generation Managers**

• CalSTRS is in the process of selecting a fund-of-funds manager to invest in private equity managers that are overseeing first- or second-time funds that satisfy the required performance criteria.

#### ELIGIBLE MANAGERS

- Eligible fund managers can be in the following private equity sectors:
  - > Early and late stage venture capital,
  - > Equity expansion,
  - > Buyout,
  - > Mezzanine, and
  - > Other sectors as deemed fit by the Investment Manager.

#### POINT OF CONTACT

#### Richard Rose, Principal Investment Officer

CalSTRS

Phone Number: (916) 229-3697 Web Site: www.calstrs.com E-mail Address: rrose@calstrs.com Street Address: 7667 Folsom Boulevard Sacramento, CA 95816

AND

#### **Underserved Urban and Rural Markets:**

- Yucaipa Corporate Initiatives Fund, LP, Ed Renwick (310) 228-3500
- Nogales Investors Fund, LP, Luis Nogales (310) 276-7439
- Bank of America California Community
   Venture Fund, LLC (Fund-of-funds for part nerships targeting underserved markets
   primarily in California), Carolyn Choi
   (415) 622-0116

## CalSTRS New and Next Generation Managers:

Fund-of-funds manager is still being determined.

REVOLVING FUND PROVIDES

LOW-COST FINANCING TO PUBLIC

AGENCIES FOR A WIDE VARIETY OF

INFRASTRUCTURE PROJECTS.



# 1. California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA)

a. ADVANCED TRANSPORTATION AND RENEWABLE ENERGY TAX-EXEMPT AND TAXABLE BONDS

In 1980, state legislation was enacted to "promote the prompt and efficient development of energy sources which are renewable or which more efficiently utilize and conserve scarce energy resources." Recognizing the importance of developing a secure energy future to protect the environment and ensure economic stability, the intent of the legislation was to promote energy sources designed to reduce the degradation of the environment. Originally called California Alternative Energy Source Financing Authority, the Authority later became the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) in 1994, when the statute was amended to include development and commercialization of advanced transportation technologies.

#### **FEES**

 Application, board issuance, annual administrative, and other fees may apply. Contact CAEATFA for further information.

#### **ELIGIBLE ACTIVITIES**

#### **Advanced Transportation Technologies**

- Advanced telecommunications for transportation.
- Command, control, and communications for public transit vehicles and systems.
- Electric vehicles and ultra-low emission vehicles.
- High-speed rail and magnetic levitation passenger systems.
- Fuel cells.

#### Renewable energy

- Biomass
- Solar thermal
- Photovoltaic
- Wind
- Geothermal

#### FINANCING THROUGH CAEATFA

- CAEATFA is a conduit bond issuer that is able to issue tax-exempt and taxable bonds for projects that qualify under its authorizing statute.
- CAEATFA also may provide financial assistance in the form of loans, loan loss reserves, interest rate reductions, insurance, guarantees, or other forms of enhancement, among other things.

#### **ELIGIBLE APPLICANTS**

- Any individual, entity, or group of entities, whether organized for profit or not for profit, may apply to CAEATFA for financial assistance.
- Public agencies also may apply to CAEATFA for financing of renewable energy and advanced transportation projects.

#### POINT OF CONTACT

#### Katrina Johantgen, Acting Executive Director

CAEATFA

Phone Number: (213) 620-4467

Web Site: www.treasurer.ca.gov/caeatfa E-mail Address: kjohantgen@treasurer.ca.gov

Street Address:

Los Angeles Office:

304 S. Broadway, Suite 550 Los Angeles, CA 90013-1224

Sacramento Office:

915 Capitol Mall, Room 576

Sacramento, CA 95814

# 2. California Infrastructure and Economic Development Bank (I-Bank)

a. INFRASTRUCTURE STATE REVOLVING FUND (ISRF) PROGRAM LOANS

The ISRF Program provides low-cost financing to public agencies for a wide variety of infrastructure projects.

#### ASSISTANCE TERMS

- Direct loans.
- Loan amounts from \$250,000 to \$10
  million. Loans for educational facilities,
  environmental mitigation measures,
  and parks and recreational facilities
  are available in amounts ranging from
  \$250,000 to \$2 million. Under certain
  conditions, educational facilities are
  eligible for up to \$5 million in financing.
- Terms of up to 30 years.
- Interest rates are set on a monthly basis and are equal to 67 percent of Thomson's Municipal Market Index for "A" rated security.
- Eligible repayment sources:
  - > General Fund revenues,
  - > Enterprise Fund revenues,
  - > Tax increment revenues.
  - > Assessment revenues, and
  - > Other recurring revenues acceptable to the I-Bank.

#### **ELIGIBLE ACTIVITIES**

- Public infrastructure including:
  - > City streets;
  - > County and state highways;
  - > Drainage, water supply, and flood control;
  - > Educational facilities;
  - > Environmental mitigation measures;

- > Parks and recreational facilities;
- > Port facilities;
- > Power and communication;
- > Public transit;
- > Sewage collection and treatment;
- > Solid waste collection and disposal;
- > Water treatment and distribution;
- > Defense conversion;
- > Public safety facilities; and

#### **ELIGIBLE APPLICANTS**

- Any subdivision of a local government, including:
  - > Cities,
  - > Counties,
  - > Redevelopment agencies,
  - > Special districts, and
  - > Joint powers authorities.

#### POINT OF CONTACT

#### Roma Cristia-Plant, Manager

Infrastructure State Revolving Fund I-Bank

Phone Number: (916) 324-8942

Web Site: www.ibank.ca.gov E-mail Address: rcristia@ibank.ca.gov Street Address: 1001 | Street, 19th Floor

# **Success Story**

#### THE STOCKTON PORT DISTRICT

The Stockton Port District (Port) borrowed \$10 million in

January 2002 to finance
the Rough & Ready
Island/West Complex
Infrastructure Project.
The Port will upgrade
the former military base
into a working maritime and

commercial facility. The Port anticipates that at least 300 new jobs will be created within three years of construction completion. The financing is being repaid with Port Enterprise Funds.

#### b. CONDUIT REVENUE BONDS

#### **Industrial Development Bonds (IDBs)**

IDBs allow manufacturers and processors to finance acquisition and expansion projects at very low interest rates through tax-exempt bond issuance. IDBs issued through the I-Bank offer flexible financing terms and low administrative costs.

#### **FEES**

- Application fee of \$1,500.
- Issuance fee is 0.25 percent of the amount financed.
- Administrative fee of \$500 per year, until the bonds are redeemed.

#### ASSISTANCE TERMS

- Low interest rate.
- Typical maturity of 15–30 years, however, the weighted average life of the bond cannot exceed 120 percent of the estimated useful life of the assets to be financed.
- No prepayment penalty.
- The maximum amount of a tax-exempt IDB is \$10 million per applicant per jurisdiction.
- The total outstanding amount of IDBs by any one company nationwide may not exceed \$40 million.
- A letter of credit from a bank with a minimum long-term rating of "A" is necessary to market the bonds.

- The project should result in the creation of jobs that otherwise would be lost. One job should be created/retained within two years of project completion for every \$50,000 in bond financing.
- 95 percent of the bond proceeds must be used for the defined project.
- 75 percent of the assets purchased with bond proceeds must be for actual manufacturing/ processing.
- Up to 25 percent of the bond proceeds can be used for land purchases.
- Up to two percent of the bond proceeds can be used for costs of issuance.
- If the bond proceeds are used to acquire an existing building, the building must be rehabilitated within two years, by an amount equal to at least 15 percent of the portion of the building financed with bonds.

#### ELIGIBLE APPLICANTS

Manufacturers or processors only.

#### POINT OF CONTACT

#### Jeffrey Emanuels, Manager

Conduit Financing

I-Bank

Phone Number: (916) 324-1299 Web Site: www.ibank.ca.gov

E-mail Address: jemanuels@ibank.ca.gov Street Address: 1001 | Street, 19th Floor

# **Success Story**

## CHATSWORTH PRODUCTS, INC.

As a producer of metal and injectionmolded products, Chatsworth

Products, Inc. (CPI) (a 100 percent employeeowned company) is a leading global manufacturer of computer storage solutions for the telecommunications

industry. CPI received an almost \$7 million I-Bank IDB to support

the construction of an approximately 70,000 square foot manufacturing plant in Redding, which is located in one of California's 39 Enterprise Zones. Financing also was used to acquire and install new manufacturing equipment at the site. This expansion allows CPI to accommodate heightened product demand by servicing its growing market in the Northwestern United States. This financing, completed in 2001, brought 180 new jobs to the area.

#### 501(c)(3) Revenue Bonds

Tax-exempt revenue bond financing is available to nonprofit corporations that have received a determination letter from the Internal Revenue Service that they qualify as organizations as defined under Section 501(c)(3) of the Internal Revenue Code.

#### **FEES**

 Issuance fee is calculated on a graduated basis, based upon the amount of the financing. Maximum fee amount is \$75,000.

#### ASSISTANCE TERMS

- Must be a qualified nonprofit corporation.
- Project must be located in California.
- · Provides defined public benefit.
- Project must be consistent with any existing local or regional comprehensive plan.
- · Low interest rates.
- Long-term financing.
- Allows borrower to retain endowments and accumulated funds.

#### **ELIGIBLE ACTIVITIES**

- Bond proceeds may be used for the following purposes:
  - > Capital expenditures;
  - > Refinancing prior debt (under certain conditions);

- > Reimbursing prior expenditures (under certain conditions);
- > Working capital; and
- > Costs of issuance, capitalized interest, and debt reserve funds.

#### ELIGIBLE APPLICANTS

- Nonprofit corporation organized pursuant to Internal Revenue Code Section 501(c)(3) generally operated for the following purposes: religious, charitable, scientific, educational, health, housing, and the prevention of cruelty to children and animals
- I-Bank normally does not finance projects that qualify for bond financing through established statewide financing authorities such as the California Educational Financing Authority (page 37) or the California Health Facilities Financing Authority (page 43).
   Additionally, I-Bank is prohibited by statute from financing housing projects.

#### POINT OF CONTACT

#### Jeffrey Emanuels, Manager

Conduit Financing

I-Bank

Phone Number: (916) 324-1299 Web Site: www.ibank.ca.gov

E-mail Address: jemanuels@ibank.ca.gov Street Address: 1001 | Street, 19th Floor

# **Success Story**

# AMERICAN CENTER FOR FOOD, WINE AND THE ARTS

The American Center for Food,

Wine and the Arts (Center)
in Napa will be a cultural
institution, museum,
and educational organization dedicated to
exploring the diverse
nature of wine, food, and

the arts, and celebrating these as a unique expression of the vitality of American life, culture, and heritage.

The I-Bank provided \$70 million in 501(c)(3) bond financing to facilitate construction of the Center that is envisioned to be a 75,000 square foot, two-story facility located on 12 acres. The Center will include a main pavilion that will overlook the Napa River, two major exhibition galleries, a 280-seat indoor theater, a wine center, restaurant, and food market, and a museum store. In addition, there will be a seasonal kitchen constructed in the 3.5 acres of gardens and a 500-seat outdoor amphitheater.

#### **Exempt Facilities**

 Exempt facility bonds are a category of bonds created by special provisions of the Internal Revenue Code that allow private, for-profit companies to utilize the proceeds of tax-exempt bonds to finance limited types of projects.

#### ASSISTANCE TERMS

Similar to the provisions for 501(c)(3)
 Revenue Bonds.

#### **ELIGIBLE ACTIVITIES**

- Privately used or leased facilities at airports and ports, provided they are owned by a governmental agency.
- Other categories exist, but have numerous limitations and conditions.

#### **ELIGIBLE APPLICANTS**

 Narrowly defined list of eligible applicants. Call the I-Bank for clarification.

#### POINT OF CONTACT

#### Jeffrey Emanuels, Manager

Conduit Financing

I-Bank

Phone Number: (916) 324-1299 Web Site: www.ibank,ca.gov

E-mail Address: jemanuels@ibank.ca.gov Street Address: 1001 | Street, 19th Floor

# **Success Story**

## MERCURY AIR GROUP, INC.

Mercury Air Group, Inc. (Mercury Air)
received Airport Exempt Facility

Revenue bond financing for a project in 1998.

Mercury Air provides a broad range of services to the aviation industry through four principal operating units: fuel sales and services, cargo operations,

fixed base operations, and government contract services. Bond proceeds were utilized to finance two separate expansion projects. Mercury Air's facility located at the Burbank-Glendale-Pasadena airport received funds to renovate their office, shop, and maintenance space in order to provide enhanced fixed base and ground support services to the general aviation industry. Mercury Air concurrently expanded their air cargo operations at Los Angeles International Airport. Bond proceeds were used to demolish an abandoned Delta Airlines hangar and construct the largest cargo warehouse at the second busiest cargo airport in the world.

# 2. California Transportation Commission CTC)/Department of Transportation (Caltrans)

a. GRANT ANTICIPATION REVENUE VEHICLE (GARVEE) FINANCING

GARVEEs are tax-exempt debt financing mechanisms that are used to accelerate the funding and construction of critical transportation infrastructure projects in order to provide congestion relief benefits to the public significantly sooner than would be possible through the use of traditional funding mechanisms.

This type of financing was authorizes at the federal level under the National Highway System Designation Act of 1995. State law, enacted in 1999, authorizes the State Treasurer's Office to issue GARVEE debt and the CTC to select and designate transportation projects to be funded for accelerated construction from bond proceeds. Caltrans is responsible for administering GARVEE-related workloads and, in conjunction with the CTC and regional agencies, proposes projects through the State Transportation Improvement Program (STIP) or the State Highway Operation and Protection Program (SHOPP).

GARVEE debt service is repaid from future receipts of legally available federal transportation funds received by the

State. By statute, the total of all annual repayment obligations may not exceed 30 percent of annual federal transportation funds deposited in the State Highway Account. The Master Indenture related to these financings further strengthened this test by reducing the amount to 25 percent of all federal funds that can be legally pledged. The CTC adopted a policy reducing that further to 15 percent of qualifying federal funds.

In March 2004, the state issued \$614,850,000 in GARVEE bonds—its inaugural issuance—to fund eight trans portation projects located in various areas of the state. The projects funded under this issuance are:

- San Diego I-15 Managed Lanes;
- Riverside SR-60 / SR-91 / I-215 Interchange;
- Santa Clara Route I-880 / Coleman Avenue Interchange;
- Santa Clara SR-87 North
- Santa Clara SR-87 South
- Los Angeles I-5 High Occupancy Vehicle Lanes
- Los Angeles I-405 Auxiliary Lanes
- Los Angeles I-405 / Highway 101
   Gap Closure

#### ASSISTANCE TERMS

- By statute, the bonds have a 30-year maximum term; however, the CTC's policy limits the term to 12 years.
- Projects must be major improvements to corridors and gateways for interregional travel and goods movement. Major improvements include projects that increase capacity, reduce travel times, or provide long-life rehabilitation of key bridges or roadways.

#### **ELIGIBLE ACTIVITIES**

- The federally funded portion of any highway or other transportation project that has been designated for accelerated construction by the CTC is eligible for GARVEE financing. The project also must have environmental clearance, completed project design, federal approval for the use of advance construction, and meet all federal-aid requirements.
- Financing is available only for rightof-way and construction of a project.
- Funding considerations include:
  - Public benefits resulting from early construction exceed financing costs;

- > Other funding mechanisms are not available; and
- The anticipated useful life of the project exceeds the term of the GARVEE financing.

#### **ELIGIBLE APPLICANTS**

- Applicant must be a regional transportation agency that is the approving
   authority for the county's submission
   of projects to the STIP. Caltrans and CTC
   staff may also propose projects for
   GARVEE financing.
- Other local entities, such as city or county governments or local transportation authorities, must apply jointly with their regional transportation planning agencies.

#### POINT OF CONTACT

#### Barbara Lewis, Manager

Office of Alternative Financing Caltrans

Phone Number: (916) 324-7623 Web Site: www.dot.ca.gov/hq/innovfinance/garveebond.htm

E-mail Address: barbara\_lewis@dot.ca.gov Street Address: 1120 N Street, MS #6

# G. Pollution Control

# 1. California Pollution Control Financing Authority (CPCFA)

a. POLLUTION CONTROL TAX-EXEMPT BONDS

The Pollution Control Tax-exempt Bond Financing Program provides tax-exempt bond financing to California businesses for the acquisition, construction, or installation of pollution control facilities and new equipment. Tax-exempt bond financing provides qualified borrowers with lower interest costs than are available through conventional financing mechanisms.

CPCFA financing assists municipalities in meeting their waste management needs, including compliance with waste diversion and recycling mandates of the California Integrated Waste Management Act of 1989.

CPCFA works in conjunction with the California Debt Limit Allocation Committee (CDLAC) (see page 15).

#### ASSISTANCE TERMS

 Bond financing amounts range from \$1 million and above

#### **ELIGIBLE ACTIVITIES**

- CPCFA issues tax-exempt bonds to finance projects that abate, eliminate, prevent, or control pollution.
- Proceeds may be used to pay for:
  - > Land;
  - > Buildings, fixtures, and furnishings;

- > Machinery and equipment;
- Architectural, engineering, surveying, permitting, and other incidental costs.
- Projects can involve construction of a new facility, expansion of an existing facility, rehabilitation or replacement of all or part of an existing facility, or acquisition and installation of new equipment.
- Types of projects that may qualify for tax-exempt bond financing, among others, include:
  - > Materials recovery facilities,
  - > Recycling facilities,
  - > Waste-to-energy facilities,
  - > Composting facilities,
  - > Transfer stations,
  - > Landfills,
  - > Waste collection vehicles, and
  - > Residential waste containers.

#### **ELIGIBLE APPLICANTS**

California businesses with a qualifying project.

#### POINT OF CONTACT

#### Program Manager

CPCFA – Pollution Control Tax-exempt Bonds Phone Number: (916) 654-5610 Web Site: www.treasurer.ca.gov/cpcfa E-mail Address: pcbonds@treasurer.ca.gov Street Address: 915 Capitol Mall, Room 457 Sacramento, CA 95814

# **Success Story**

## SACRAMENTO DEVELOPS PROJECT TO ASSIST SOLID WASTE MANAGEMENT, DIVERSION, AND RECYCLING

Municipal Solid Waste (MSW)-more commonly known as trash or

garbage-consists of

everyday items such
as product packaging,
grass clippings, cans,
bottles, food scraps,
and newspapers. In
2001, U.S. residents,
businesses and institutions

produced more than 229 million tons of MSW. California, in particular, annually generates more than 75 million tons of MSW.

As part of this waste stream, Americans throw away enough aluminum every three months to rebuild our entire commercial air fleet. We also throw away enough office and writing paper annually to build a 12 foot high wall stretching from Los Angeles to New York City.

However, our ability to place this waste in landfills is diminishing as existing landfills are nearing capacity and new landfills are extremely costly and difficult to site.

CPCFA plays an important role in assisting California's cities and counties to manage the state's waste stream.

California's cities and counties are increasingly implementing MSW management practices such as source reduction, recycling, and composting, which prevent or divert materials from the waste stream. CPCFA has been on the forefront, assisting the financing of these efforts.

One project CPCFA assisted with financing is BLT Enterprises of Sacramento, Inc. (BLT). In 1999, CPCFA issued \$15 million in Pollution Control Tax-exempt Bonds on behalf of BLT in order to purchase land, equipment, and complete the construction of a Materials Recovery Facility and Transfer Station in Sacramento. This facility, consisting of a 120,000 square foot building located on 19 acres, provides waste management and recycling services for commercial, industrial, municipal, and residential customers.

The BLT facility has achieved a number of public benefits. It receives over 1,500 tons of MSW and recyclables per day and diverts approximately 25 percent (or 375 tons) of these materials from landfills to productive

use. In addition, it conducts local tours, education trainings, and events that reach over 500 participants annually. Moreover, the facility has created approximately 100 new full-time jobs in the City of Sacramento.

There is an ongoing need to develop facilities to manage California's significant

waste stream. BLT is one of the many companies that has received low cost, tax-exempt bond financing through CPCFA for projects that have assisted the State in its waste management, diversion, and recycling efforts.

AS OF MAY 31, 2002, THE PMIA

HAD \$5.2 BILLION IN TIME

DEPOSITS IN 124 COMMUNITY

BANKS IN CALIFORNIA.



## 1. Pooled Money Investment Account (PMIA)

#### a. TIME DEPOSITS

To accommodate the strong need for capital to fund loans within its service area and to combat community banks' inability to tap into capital markets and compete with strong regional and national banks, the PMIA has a program to invest California tax dollars in California communities. This program stimulates growth in small businesses, home mortgages, equity loans, auto loans, and personal loans.

As of May 31, 2002, the PMIA had \$5.2 billion in time deposits in 124 community banks in California.

#### ASSISTANCE TERMS

- PMIA time deposits in California community banks.
- Deposits do not exceed 100 percent of bank's equity.
- Deposits collateralized at 100 percent of FDIC guarantee for first \$100,000 and 110 percent-150 percent on balances over \$100,000.
- Special consideration is given to the CRA rating of each institution with CRA ratings of less than satisfactory eliminating the institution from the program.

#### **ELIGIBLE APPLICANTS**

 California community banks, savings & loans, and credit unions.

#### POINT OF CONTACT

#### Bill Dowell, Treasury Program Manager

Investment Division

Phone Number: (916) 653-3147 Web Site: www.treasurer.ca.gov

E-mail Address: bdowell@treasurer.ca.gov Street Address: 915 Capitol Mall, Room 106

Sacramento, CA 95814

#### b. SMALL BUSINESS LOAN PURCHASES

To accommodate loan servicing for low-to-moderate income areas of the State, the PMIA has a program to purchase the guaranteed portion of California-only securitized small business loans, with a concentration on low-to-moderate income areas. This provides a secondary market to encourage small business lending in underserved areas of the State.

As of May 31, 2002, the PMIA had \$262 million in small business loans.

#### ASSISTANCE TERMS

 PMIA purchase of small business loans in low-to-moderate income areas of the state.

- Concentration in areas designated by census tract (zip code) as underserved or CRA-eligible.
- Loans must be less than a year old from date of note.

#### **ELIGIBLE APPLICANTS**

• Primary sellers (poolers) of SBA loans.

#### POINT OF CONTACT

#### Bill Dowell, Treasury Program Manager

**Investment Division** 

Phone Number: (916) 653-3147 Web Site: www.treasurer.ca.gov

E-mail Address: bdowell@treasurer.ca.gov Street Address: 915 Capitol Mall, Room 106

# APPENDIX

#### CONTACT INFORMATION FOR STATE COMMUNITY REVITALIZATION PROGRAMS

# State Boards, Authorities & Commissions

#### Katrina Johantgen, Acting Executive Director

California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA)

 Advanced Transportation and Renewable Energy Tax-exempt and Taxable Bonds

www.treasurer.ca.gov/caeatfa kjohantgen@treasurer.ca.gov Los Angeles Office: 304 S. Broadway, Suite 550 Los Angeles, CA 90013-1224 (213) 620-4467 Sacramento Office: 915 Capitol Mall, Room 576 Sacramento, CA 95814 (916) 653-2995

#### Lisa Marie Harris, Executive Director

California Debt and Investment Advisory Commission (CDIAC)

 Data Collection, Policy Research, and Continuing Education

www.treasurer.ca.gov/cdiac lharris@treasurer.ca.gov 915 Capitol Mall, Room 400 Sacramento, CA 95814 (916) 653-3269

#### Laurie Weir, Executive Director

California Debt Limit Allocation Committee (CDLAC)

 Tax-exempt Private Activity Bond Debt Limit Allocation

www.treasurer.ca.gov/cdlac lweir@treasurer.ca.gov 915 Capitol Mall, Room 311 Sacramento, CA 95814 (916) 653-3255

#### Dennis A. Trujillo, Executive Director

California Educational Facilities Authority (CEFA)

- Standard and Pooled Tax-exempt Bonds
- · Tax-exempt Equipment Notes

www.treasurer.ca.gov/cefa dtrujillo@treasurer.ca.gov 915 Capitol Mall, Room 590 Sacramento, CA 95814 (916) 653-2872

#### Sandra Simpson-Fontaine, Executive Director

Calif. Health Facilities Financing Authority (CHFFA)

- HELP II Loans
- HealthCAP Loans
- · Standard and Pooled Tax-exempt Bonds
- Tax-exempt Equipment Notes
- Cedillo-Alarcón Community Clinic Investment Act of 2000 Grants

www.treasurer.ca.gov/chffa ssimpsonfontaine@treasurer.ca.gov 915 Capitol Mall, Room 590 Sacramento, CA 95814 (916) 653-2799

#### Joanie Jones-Kelly, Executive Director

California Industrial Development Financing Advisory Commission (CIDFAC)

 Tax-exempt Industrial Development Bonds www.treasurer.ca.gov/cidfac jkelly@treasurer.ca.gov
 215 Capitol Mall, Room 457 Sacramento, CA 95814 (916) 653-3843

#### Sherri Kay Wahl, Program Manager

Calif. Pollution Control Financing Authority (CPCFA)

 California Recycle Underutilized Sites (Cal ReUSE) Loans

calreuse@treasurer.ca.gov

 Small Business Advisory Assistance (SBAA) Services

calcap@treasurer.ca.gov www.treasurer.ca.gov/cpcfa 915 Capitol Mall, Room 457 Sacramento, CA 95814 (916) 654-5951

#### Don Sherman, Program Manager

California Pollution Control Financing Authority (CPCFA)

 California Capital Access Program (CalCAP) for Small Businesses Loans

www.treasurer.ca.gov/cpcfa calcap@treasurer.ca.gov 915 Capitol Mall, Room 457 Sacramento, CA 95814 (916) 654-5610

#### **Program Manager**

California Pollution Control Financing Authority (CPCFA)

 Pollution Control Tax-exempt Bonds www.treasurer.ca.gov/cpcfa pcbonds@treasurer.ca.gov
 915 Capitol Mall, Room 457 Sacramento, CA 95814 (916) 654-5610

#### Katrina Johantgen, Executive Director

California School Finance Authority (CSFA)

- Fixed or Variable Rate Options
- · Intercept Program Options
- · Stand-Alone or Pooled Options

www.treasurer.ca.gov/csfa kjohantgen@treasurer.ca.gov Los Angeles Office: 304 S. Broadway, Suite 550 Los Angeles, CA 90013-1224 (213) 620-4467 Sacramento Office: 915 Capitol Mall, Room 576 Sacramento, CA 95814

#### Lunn Wehrli. Executive Director

(916) 653-2995

California Tax Credit Allocation Committee (CTCAC)

- Federal and State Low-income Housing Tax Credits
- · Commercial Revitalization Deduction Program

www.treasurer.ca.gov/ctcac lwehrli@treasurer.ca.gov 915 Capitol Mall, Room 485 Sacramento, CA 95814 (916) 654-6340

# Pooled Money Investment Account (PMIA)

#### Bill Dowell, Treasury Program Manager

Investment Division

- Community Reinvestment Act (CRA) Loan Purchases
- · Time Deposits
- Small Business Loan Purchases

www.treasurer.ca.gov bdowell@treasurer.ca.gov 915 Capitol Mall, Room 106 Sacramento, CA 95814 (916) 653-3147

# Office of Statewide Health Planning and Development (OSHPD)

#### Dale Flournoy, Deputy Director

Cal-Mortgage Loan Insurance Division

• California Health Facility Construction Loan Insurance

www.oshpd.ca.gov/calmort dflournoy@oshpd.ca.gov 300 Capitol Mall, Suite 1500 Sacramento, CA 95814 (916) 324-9957

### California Infrastructure and Economic Development Bank (I-Bank)

#### Roma Cristia-Plant, Manager

 Infrastructure State Revolving Fund (ISRF) Program Loans

www.ibank.ca.gov rcristia@ibank.ca.gov 1001 | Street, 19th Floor Sacramento, CA 95814 (916) 324-8942

#### Jeffrey Emanuels, Manager

- Industrial Development Bonds (IDBs)
- 501(c)(3) Revenue Bonds
- · Exempt Facilities

www.ibank.ca.gov jemanuels@ibank.ca.gov 1001 | Street, 19th Floor Sacramento, CA 95814 (916) 324-1299

### California Public Employees' Retirement System (CalPERS)

#### Julie Rost, Investment Officer

 California Urban Real Estate (CURE) Investments

www.calpers.ca.gov julie\_rost@calpers.ca.gov Lincoln Plaza 400 P Street Sacramento, CA 95814 (916) 326-3400

#### Joncarlo Mark, Portfolio Manager

• The California Initiative www.calpers.ca.gov joncarlo\_mark@calpers.ca.gov Lincoln Plaza 400 P Street Sacramento, CA 95814 (916) 326-3267

#### Jesús S. Argüelles, Investment Officer

 The California Initiative www.calpers.ca.gov jesus\_arguelles@calpers.ca.gov Lincoln Plaza 400 P Street Sacramento, CA 95814 (916) 326-3151

## California State Teachers' Retirement System (CalSTRS)

#### Mike DiRé, Director of Real Estate

 Urban Real Estate Investments www.calstrs.ca.gov mdire@calstrs.ca.gov 7667 Folsom Boulevard Sacramento, CA 95816 (916) 229-3722

#### Richard Rose, Principal Investment Officer

 Investments in Underserved Urban and Rural Markets, and New and Next Generation Managers

www.calstrs.com rrose@calstrs.com 7667 Folsom Boulevard Sacramento, CA 95816 (916) 229-3697

## California Transportation Commission (CTC)/Department of Transportation (Caltrans)

#### Barbara Lewis, Manager

Office of Alternative Financing

 Grant Anticipation Revenue Vehicle (GARVEE) Financing

www.dot.ca.gov/hq/innovfinance/ garveebond.htm barbara\_lewis@dot.ca.gov 1120 N Street, MS #6 Sacramento, California 95814 (916) 324-7623

# Department of Housing and Community Development (HCD)

#### Multifamily Housing Program (MHP) Loans

multifamilyhousingsection@hcd.ca.gov
Dept. of Housing and Community Development
Division of Community Affairs
Attn: Multifamily Housing Programs
P.O. Box 952054
Sacramento, CA 94252-2054
Phone Number: (916) 323-3178

## CalHome Program Grants and Loans

www.hcd.ca.gov/ca/calhome

mlawson@hcd.ca.gov
Dept. of Housing and Community Development
CalHome Program
1800 3rd Street, Suite 390
Sacramento, CA 95814
Phone Number: (916) 327-3646

#### Building Equity and Growth in Neighborhoods (BEGIN) Program Grants and Loans

www.hcd.ca.gov/ca/begin mlawson@hcd.ca.gov Dept. of Housing and Community Development BEGIN Program 1800 3rd Street, Suite 390 Sacramento, CA 95814 Phone Number: (916) 327-3646

# California Self-Help Housing Program (CSHHP) Grants

www.hcd.ca.gov/ca/cshhp dfranklin@hcd.ca.gov

Dept. of Housing and Community Development California Self-Help Housing Program 1800 3rd Street, Suite 390 Sacramento, CA 95814 Phone Number: (916) 445-9581

#### Joe Serna, Jr. Farmworker Housing Grant (JSJFWHG) Program

www.hcd.ca.gov/ca/fwhg cgaines@hcd.ca.gov

Dept. of Housing and Community Development Joe Serna, Jr. Farmworker Housing Grant Prog. 1800 3rd Street, Suite 390-8 Sacramento, CA 95814

Phone Number: (916) 324-0695

#### Current Emergency Housing Assistance Program (EHAP) Capital Development Deferred Loan Information

www.hcd.ca.gov/ca/ehap-capdev.html pduer@hcd.ca.gov

Dept. of Housing and Community Development EHAP-CD

1800 3rd Street, Suite 390-4 Sacramento, CA 95814 Phone Number: (916) 445-0845

#### **Workforce Housing Reward Program Grants**

www.hcd.ca.gov/ca/whrp lnichols@hcd.ca.gov

Dept. of Housing and Community Development Workforce Housing Reward Program

P.O. Box 952053

Sacramento, CA 94252-2053 Phone Number: (916) 323-3175

# California Housing Finance Agency (CalHFA)

#### California Homebuyer's Downpayment Assistance Program (CHDAP) Loans

www.calhfa.ca.gov/homeownership/ programs/chdap.htm homeownership@calhfa.ca.gov California Housing Finance Agency Homeownership Division-Special Programs P.O. Box 4034

Sacramento, CA 95812

Phone Number: (916) 324-8088

#### Homeownership in Revitalization Areas Program (HIRAP) Loans

www.calhfa.ca.gov/homeownership/ programs/hirap.htm homeownership@calhfa.ca.gov California Housing Finance Agency Homeownership Division P.O. Box 4034 Sacramento, CA 95812 Phone Number: (916) 324-8088

# Extra Credit Teacher Home Purchase Program (ECTP) Loans

www.calhfa.ca.gov/homeownership/ programs/ectp.htm homeownership@calhfa.ca.gov California Housing Finance Agency Homeownership Division-Special Programs P.O. Box 4034 Sacramento, CA 95812

#### Phone Number: (916) 324-8088 School Facility Fee Down Payment Assistance Program (SFF) Grants

www.calhfa.ca.gov/homeownership/ programs/sff.htm homeownership@calhfa.ca.gov California Housing Finance Agency Homeownership Division-Special Programs P.O. Box 4034 Sacramento, CA 95812 Phone Number: (916) 324-8088

#### Preservation Acquisition Program Loans

www.calhfa.ca.gov mfprograms@calhfa.ca.gov California Housing Finance Agency Multifamily Finance Division 1121 L Street, Suite 207 Sacramento, CA 95814-3974 Phone Number: (916) 322-5123

## Mortgage Insurance Services Loans

www.calhfa.ca.gov homeownership@calhfa.ca.gov California Housing Finance Agency Mortgage Insurance Services P.O. Box 4034 Sacramento, CA 95814 Phone Number: (916) 322-8936

Rnx 4034

# **ACKNOWLEDGEMENTS**

This reference guide was written by Frank Moore, Research Specialist in CDIAC's Policy Research Unit, with the assistance of several members of CDIAC's staff, as well as outside contributors.

Deputy Treasurer Barbara Lloyd, Executive Director Lisa Marie Harris, and Director of Policy Research Kristin Szakaly-Moore reviewed and edited the guide. Doug Skarr, Senior Debt Researcher, and Nova Edwards, Research Analyst, assisted with gathering and updating information in the guide. CDIAC appreciates the assistance of various departments mentioned in this guide and private sector professionals who provided information used in this guide.

